

**Agency Proposed Budget**

The following table summarizes the total executive budget proposal for the agency by year, type of expenditure, and source of funding.

| Agency Proposed Budget |                               |                                      |                                 |                                      |                                      |                                 |                                      |                                       |
|------------------------|-------------------------------|--------------------------------------|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------------|
| Budget Item            | Base<br>Budget<br>Fiscal 2006 | PL Base<br>Adjustment<br>Fiscal 2008 | New<br>Proposals<br>Fiscal 2008 | Total<br>Exec. Budget<br>Fiscal 2008 | PL Base<br>Adjustment<br>Fiscal 2009 | New<br>Proposals<br>Fiscal 2009 | Total<br>Exec. Budget<br>Fiscal 2009 | Total<br>Exec. Budget<br>Fiscal 08-09 |
| FTE                    | 135.23                        | 10.13                                | 12.00                           | 157.36                               | 10.13                                | 12.00                           | 157.36                               | 157.36                                |
| Personal Services      | 7,095,501                     | 1,386,890                            | 671,367                         | 9,153,758                            | 1,422,298                            | 671,967                         | 9,189,766                            | 18,343,524                            |
| Operating Expenses     | 9,367,657                     | 1,261,750                            | 2,492,919                       | 13,122,326                           | 1,357,378                            | 2,182,695                       | 12,907,730                           | 26,030,056                            |
| Equipment              | 42,023                        | 10,000                               | 160,000                         | 212,023                              | 10,000                               | 0                               | 52,023                               | 264,046                               |
| Local Assistance       | 526,527,149                   | 71,558,970                           | 27,478,438                      | 625,564,557                          | 82,794,761                           | 30,911,405                      | 640,233,315                          | 1,265,797,872                         |
| Grants                 | 133,713,635                   | 6,094,609                            | 250,000                         | 140,058,244                          | 11,958,267                           | 250,000                         | 145,921,902                          | 285,980,146                           |
| Transfers              | 0                             | 0                                    | 0                               | 0                                    | 0                                    | 0                               | 0                                    | 0                                     |
| <b>Total Costs</b>     | <b>\$676,745,965</b>          | <b>\$80,312,219</b>                  | <b>\$31,052,724</b>             | <b>\$788,110,908</b>                 | <b>\$97,542,704</b>                  | <b>\$34,016,067</b>             | <b>\$808,304,736</b>                 | <b>\$1,596,415,644</b>                |
| General Fund           | 531,682,484                   | 72,482,696                           | 31,006,617                      | 635,171,797                          | 83,784,602                           | 33,970,238                      | 649,437,324                          | 1,284,609,121                         |
| State/Other Special    | 970,495                       | 9,519                                | 0                               | 980,014                              | 9,770                                | 0                               | 980,265                              | 1,960,279                             |
| Federal Special        | 144,092,986                   | 7,820,004                            | 46,107                          | 151,959,097                          | 13,748,332                           | 45,829                          | 157,887,147                          | 309,846,244                           |
| Proprietary            | 0                             | 0                                    | 0                               | 0                                    | 0                                    | 0                               | 0                                    | 0                                     |
| <b>Total Funds</b>     | <b>\$676,745,965</b>          | <b>\$80,312,219</b>                  | <b>\$31,052,724</b>             | <b>\$788,110,908</b>                 | <b>\$97,542,704</b>                  | <b>\$34,016,067</b>             | <b>\$808,304,736</b>                 | <b>\$1,596,415,644</b>                |

**Agency Description**

The Superintendent of Public Instruction is an elected official authorized by Article VI, Section 1, of the Montana Constitution. The Office of Public Instruction (OPI) provides distribution of funding and services to Montana's school-age children and to teachers in approximately 425 school districts. The staff provides technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, school curriculum, school finance, and school law. The staff also administers a number of federally-funded programs and provides a variety of information services, including the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system.

**Agency Highlights**

| Department of Office of Public Instruction<br>Major Budget Highlights  |  |
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| <ul style="list-style-type: none"> <li>◆ OPI's total budget would increase by \$242.9 million during the 2009 biennium compared with base FY 2006 expenditures.</li> <li>◆ State level activities increase by \$12.6 million, and distribution to schools increases by \$230.3 million.</li> <li>◆ The executive is requesting the following for the state level activities program: <ul style="list-style-type: none"> <li>• Continuing to fund the student database system with 4.00 FTE</li> <li>• Hiring 6.00 FTE new curriculum specialists</li> <li>• Hiring an Indian Achievement Gap analyst, 1.00 FTE</li> <li>• Continuing to fund Indian Education for All</li> </ul> </li> <li>◆ The executive is requesting the following for the distribution to schools program: <ul style="list-style-type: none"> <li>• Fund inflation in the entitlements, continuation of the 4 new components created during the 2005 special session, and substituting general fund for interest and income on state lands to pay for direct state aid, as well as other present law adjustments, \$153.9 million</li> <li>• Full-time kindergarten, \$25 million</li> <li>• Increase the quality educator payment from \$2,000 per FTE to</li> </ul> </li> </ul> |  |

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| <p>\$2,790 per FTE, \$20 million</p> <ul style="list-style-type: none"> <li>• Require state and local governments to pay the retirement costs of employees paid with federal money \$6.5 million</li> <li>• Additional amounts for special education, adult education, and school facility reimbursements, \$6.5 million</li> <li>• Create a new middle school basic entitlement of \$55,500 per district, - \$0.1 million</li> </ul>  |
| <b>Major LFD Issues</b>  |
| <ul style="list-style-type: none"> <li>◆ Present Law Adjustment Issues: <ul style="list-style-type: none"> <li>• Actual three-year average inflation calculated for FY 2009 is 3.43 percent, not the 2.97 percent in the executive's budget. (See DP 03 in program 09)</li> <li>• The executive assumes that \$36.9 million in reduced I&amp;I income from state lands in the guarantee account will require an identical amount in increased general fund aid to schools. The Revenue and Transportation Interim Committee in November determined that I&amp;I revenue available for base aid will be \$8.3 million more than was available in the base year FY 2006. (See DP 36 in program 09)</li> </ul> </li> <li>◆ General fund new proposal issues: <ul style="list-style-type: none"> <li>• Full-Time Kindergarten will require more teachers or more time by current teachers. If full-time kindergarten results in the hiring of more teachers, the per educator component of BASE aid will increase. (See DP 01 in Program 09)</li> <li>• The proposal to require the state and counties to pay for the retirement costs of school employees paid with federal money (reversing the practice of requiring federal money to be used to pay retirement costs, passed during the 2003 session) will cause county property taxes to increase approximately \$8 - \$9 million per year.</li> </ul> </li> <li>◆ Tax Policy Issues: <ul style="list-style-type: none"> <li>• As a result of the governor's proposal to exempt \$150,000 in business equipment taxes, approximately \$5 million per year in school district taxes may be shifted to other taxpayers.</li> <li>• Full-time kindergarten will increase district property taxes by around \$3.5 million during the biennium.</li> </ul> </li> </ul> |

## Agency Discussion

### *Goals and Objectives:*

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy.

As part of its appropriations deliberations the legislature may wish to review the following:

- Goals, objectives and year-to-date outcomes from the 2007 biennium
- Goals and objectives and their correlation to the 2009 biennium budget request

Any issues related to goals and objectives raised by LFD staff are located in the program section.

*2007 Initiative Summary (Please see Jim Standaert LFD for a complete report on both these initiatives)*

### *Student Education Information Data System (OTO)*

The 2005 legislature appropriated \$2.826 million and authorized 4.0 FTE for the Office of Public Instruction to improve its education data systems. These resources are allocated to the implementation of a student achievement system and an

electronic grants management system. The statewide student achievement system is called AIM, Achievement in Montana.

Authorized FTE

- FTE Project Manager
- FTE Database Administrator
- FTE Data Resource Administrator
- FTE Student Records Manager

At this time, both the electronic grants management system and the Achievement in Montana system are on-time and within budget. All indications are that the systems will have the required functionality described in the RFPs and signed contracts.

*Indian Education for All*

The 2005 legislature appropriated \$3.411 million and authorized 4.0 FTE for the Office of Public Instruction to implement Indian Education for All. These resources were allocated for OPI to develop curriculum resources and provide professional development for teachers so that all Montana students develop an accurate, comprehensive knowledge of the history and cultures of Montana Indian people and tribes. Of the \$3.411 million, \$1.1 million is allocated for "Ready to Go" grants to up to 50 school districts for refining and demonstrating best practices in Indian Education for All that can be replicated in schools across the state.

*The following provide a list of the significant steps that have been completed or are planned in the 2007 biennium.*

Grant Administration - 33 "Ready to Go" grants in the amount of \$863,000 awarded, with round 3 to distribute the remainder. Also, \$69,500 awarded to 14 Montana University System graduate students to conduct research specific to Indian education issues.

Curriculum Development - Many new and updated materials have been produced by OPI relating to Indian history, culture, and essential understandings. These are available on the web, and in hardcopy for libraries and for classrooms. Tribal Colleges in Montana are writing their tribal histories and the OPI is offering the services of a curriculum consultant so that each is available and accessible to K-12 classrooms.

Administration - OPI has developed a Funding Spectrum Guide to assist schools to develop a quality plan for Implementing Indian education for All and a website provides information about Indian education funding amounts and accountability through funding codes.

Annual Data Collection - OPI has developed an American Indian Education Data Fact Sheet. OPI has also developed a guide for evaluating Indian Education services, products, and materials to assist school districts in their decision-making process for professional development, curriculum, and other needs that are related to Indian Education for All and student achievement issues.

Professional Development – OPI has developed a survey tool for school districts to measure their teachers' knowledge of Indian Education for All to gauge professional development needs. OPI has also conducted numerous workshops and conferences in which school leaders, teachers and school support organizations have reviewed and produced Indian education materials for professional development.

Public Education Campaign – OPI has developed and distributed many communications for various media outlets regarding Indian Education for All in Montana.

### Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Agency Funding<br>2009 Biennium Executive Budget |                         |                     |                       |                        |               |
|--|-------------------------|---------------------|-----------------------|------------------------|---------------|
| Agency Program   | General Fund            | State Spec.         | Fed Spec.             | Grand Total            | Total %       |
| 06 State Level Activities                              | \$ 19,762,903           | \$ 460,279          | \$ 25,412,100         | \$ 45,635,282          | 2.86%         |
| 09 Local Education Activities                          | <u>1,264,846,218</u>    | <u>1,500,000</u>    | <u>284,434,144</u>    | <u>1,550,780,362</u>   | <u>97.14%</u> |
| Grand Total  | <u>\$ 1,284,609,121</u> | <u>\$ 1,960,279</u> | <u>\$ 309,846,244</u> | <u>\$1,596,415,644</u> | 100.00%       |

### Biennium Budget Comparison

The following table compares the executive budget request in the 2009 biennium with the 2007 biennium by type of expenditure and source of funding. The 2007 biennium consists of actual FY 2006 expenditures and FY 2007 appropriations.

| Biennium Budget Comparison |                               |                                 |                                      |                               |                                 |                                      |                                   |                                       |
|----------------------------|-------------------------------|---------------------------------|--------------------------------------|-------------------------------|---------------------------------|--------------------------------------|-----------------------------------|---------------------------------------|
| Budget Item                | Present<br>Law<br>Fiscal 2008 | New<br>Proposals<br>Fiscal 2008 | Total<br>Exec. Budget<br>Fiscal 2008 | Present<br>Law<br>Fiscal 2009 | New<br>Proposals<br>Fiscal 2009 | Total<br>Exec. Budget<br>Fiscal 2009 | Total<br>Biennium<br>Fiscal 06-07 | Total<br>Exec. Budget<br>Fiscal 08-09 |
| FTE                        | 145.36                        | 12.00                           | 157.36                               | 145.36                        | 12.00                           | 157.36                               | 135.23                            | 157.36                                |
| Personal Services          | 8,482,391                     | 671,367                         | 9,153,758                            | 8,517,799                     | 671,967                         | 9,189,766                            | 15,008,536                        | 18,343,524                            |
| Operating Expenses         | 10,629,407                    | 2,492,919                       | 13,122,326                           | 10,725,035                    | 2,182,695                       | 12,907,730                           | 21,673,769                        | 26,030,056                            |
| Equipment                  | 52,023                        | 160,000                         | 212,023                              | 52,023                        | 0                               | 52,023                               | 118,358                           | 264,046                               |
| Local Assistance           | 598,086,119                   | 27,478,438                      | 625,564,557                          | 609,321,910                   | 30,911,405                      | 640,233,315                          | 1,131,597,207                     | 1,265,797,872                         |
| Grants                     | 139,808,244                   | 250,000                         | 140,058,244                          | 145,671,902                   | 250,000                         | 145,921,902                          | 276,266,053                       | 285,980,146                           |
| Transfers                  | 0                             | 0                               | 0                                    | 0                             | 0                               | 0                                    | 0                                 | 0                                     |
| <b>Total Costs</b>         | <b>\$757,058,184</b>          | <b>\$31,052,724</b>             | <b>\$788,110,908</b>                 | <b>\$774,288,669</b>          | <b>\$34,016,067</b>             | <b>\$808,304,736</b>                 | <b>\$1,444,663,923</b>            | <b>\$1,596,415,644</b>                |
| General Fund               | 604,165,180                   | 31,006,617                      | 635,171,797                          | 615,467,086                   | 33,970,238                      | 649,437,324                          | 1,144,208,181                     | 1,284,609,121                         |
| State/Other Special        | 980,014                       | 0                               | 980,014                              | 980,265                       | 0                               | 980,265                              | 1,946,839                         | 1,960,279                             |
| Federal Special            | 151,912,990                   | 46,107                          | 151,959,097                          | 157,841,318                   | 45,829                          | 157,887,147                          | 298,508,903                       | 309,846,244                           |
| Proprietary                | 0                             | 0                               | 0                                    | 0                             | 0                               | 0                                    | 0                                 | 0                                     |
| <b>Total Funds</b>         | <b>\$757,058,184</b>          | <b>\$31,052,724</b>             | <b>\$788,110,908</b>                 | <b>\$774,288,669</b>          | <b>\$34,016,067</b>             | <b>\$808,304,736</b>                 | <b>\$1,444,663,923</b>            | <b>\$1,596,415,644</b>                |

### New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

| New Proposals   |                       |                     |               |                 |                     |                       |                     |               |                 |                     |
|---|-----------------------|---------------------|---------------|-----------------|---------------------|-----------------------|---------------------|---------------|-----------------|---------------------|
| Program   | -----Fiscal 2008----- |                     |               |                 |                     | -----Fiscal 2009----- |                     |               |                 |                     |
|   | FTE                   | General Fund        | State Special | Federal Special | Total Funds         | FTE                   | General Fund        | State Special | Federal Special | Total Funds         |
| DP 1 - Full-Time Kindergarten                           |                       |                     |               |                 |                     |                       |                     |               |                 |                     |
| 09  | 0.00                  | 11,720,000          | 0             | 0               | 11,720,000          | 0.00                  | 13,448,700          | 0             | 0               | 13,448,700          |
| DP 2 - District Retirement Fund                         |                       |                     |               |                 |                     |                       |                     |               |                 |                     |
| 09  | 0.00                  | 3,172,623           | 0             | 0               | 3,172,623           | 0.00                  | 3,266,850           | 0             | 0               | 3,266,850           |
| DP 6 - K12 Education Data Systems                       |                       |                     |               |                 |                     |                       |                     |               |                 |                     |
| 06  | 4.00                  | 1,866,814           | 0             | 0               | 1,866,814           | 4.00                  | 1,592,133           | 0             | 0               | 1,592,133           |
| DP 7 - Special Education                                |                       |                     |               |                 |                     |                       |                     |               |                 |                     |
| 09  | 0.00                  | 1,232,153           | 0             | 0               | 1,232,153           | 0.00                  | 2,601,706           | 0             | 0               | 2,601,706           |
| DP 8 - Curriculum Specialist Support to Quality Schools |                       |                     |               |                 |                     |                       |                     |               |                 |                     |
| 06  | 6.00                  | 959,700             | 0             | 0               | 959,700             | 6.00                  | 924,816             | 0             | 0               | 924,816             |
| DP 13 - Adult Basic and Literacy Education              |                       |                     |               |                 |                     |                       |                     |               |                 |                     |
| 09  | 0.00                  | 250,000             | 0             | 0               | 250,000             | 0.00                  | 250,000             | 0             | 0               | 250,000             |
| DP 16 - Storage Area Network (SAN) Replacement - OTO    |                       |                     |               |                 |                     |                       |                     |               |                 |                     |
| 06  | 0.00                  | 160,000             | 0             | 0               | 160,000             | 0.00                  | 0                   | 0             | 0               | 0                   |
| DP 23 - School Facilities Reimbursement                 |                       |                     |               |                 |                     |                       |                     |               |                 |                     |
| 09  | 0.00                  | 1,097,744           | 0             | 0               | 1,097,744           | 0.00                  | 1,097,744           | 0             | 0               | 1,097,744           |
| DP 33 - School Support System Assistant (Federal)       |                       |                     |               |                 |                     |                       |                     |               |                 |                     |
| 06  | 1.00                  | 0                   | 0             | 46,107          | 46,107              | 1.00                  | 0                   | 0             | 45,829          | 45,829              |
| DP 39 - Increase Quality Per Educator Component         |                       |                     |               |                 |                     |                       |                     |               |                 |                     |
| 09  | 0.00                  | 9,780,918           | 0             | 0               | 9,780,918           | 0.00                  | 10,021,405          | 0             | 0               | 10,021,405          |
| DP 53 - Indian Education Programs                       |                       |                     |               |                 |                     |                       |                     |               |                 |                     |
| 06  | 1.00                  | 509,928             | 0             | 0               | 509,928             | 1.00                  | 510,147             | 0             | 0               | 510,147             |
| DP 54 - Indian Ed for All Tribal History - Biennial OTO |                       |                     |               |                 |                     |                       |                     |               |                 |                     |
| 06  | 0.00                  | 237,500             | 0             | 0               | 237,500             | 0.00                  | 237,500             | 0             | 0               | 237,500             |
| DP 23002 - Surplus Computers for Schools                |                       |                     |               |                 |                     |                       |                     |               |                 |                     |
| 06  | 0.00                  | 19,237              | 0             | 0               | 19,237              | 0.00                  | 19,237              | 0             | 0               | 19,237              |
| <b>Total</b>  | <b>12.00</b>          | <b>\$31,006,617</b> | <b>\$0</b>    | <b>\$46,107</b> | <b>\$31,052,724</b> | <b>12.00</b>          | <b>\$33,970,238</b> | <b>\$0</b>    | <b>\$45,829</b> | <b>\$34,016,067</b> |

### Language

"The Office of Public Instruction may distribute funds from the appropriation for instate treatment to public school districts for the purpose of providing for educational costs of children with significant behavioral or physical needs."

"All revenue up to \$1.1 million in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated as provided in Title 20, chapter 7, part 5."

"All appropriations for federal special revenue programs in state level activities and in local education activities, and all general fund appropriations in local educational activities are biennial."

### Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

| Program Proposed Budget |                               |                                      |                                 |                                      |                                      |                                 |                                      |                                       |
|-------------------------|-------------------------------|--------------------------------------|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------------|
| Budget Item             | Base<br>Budget<br>Fiscal 2006 | PL Base<br>Adjustment<br>Fiscal 2008 | New<br>Proposals<br>Fiscal 2008 | Total<br>Exec. Budget<br>Fiscal 2008 | PL Base<br>Adjustment<br>Fiscal 2009 | New<br>Proposals<br>Fiscal 2009 | Total<br>Exec. Budget<br>Fiscal 2009 | Total<br>Exec. Budget<br>Fiscal 08-09 |
| FTE                     | 135.23                        | 10.13                                | 12.00                           | 157.36                               | 10.13                                | 12.00                           | 157.36                               | 157.36                                |
| Personal Services       | 7,095,501                     | 1,386,890                            | 671,367                         | 9,153,758                            | 1,422,298                            | 671,967                         | 9,189,766                            | 18,343,524                            |
| Operating Expenses      | 9,366,690                     | 1,260,718                            | 2,492,919                       | 13,120,327                           | 1,356,346                            | 2,182,695                       | 12,905,731                           | 26,026,058                            |
| Equipment               | 42,023                        | 10,000                               | 160,000                         | 212,023                              | 10,000                               | 0                               | 52,023                               | 264,046                               |
| Local Assistance        | 25,827                        | 0                                    | 475,000                         | 500,827                              | 0                                    | 475,000                         | 500,827                              | 1,001,654                             |
| Grants                  | 0                             | 0                                    | 0                               | 0                                    | 0                                    | 0                               | 0                                    | 0                                     |
| Transfers               | 0                             | 0                                    | 0                               | 0                                    | 0                                    | 0                               | 0                                    | 0                                     |
| <b>Total Costs</b>      | <b>\$16,530,041</b>           | <b>\$2,657,608</b>                   | <b>\$3,799,286</b>              | <b>\$22,986,935</b>                  | <b>\$2,788,644</b>                   | <b>\$3,329,662</b>              | <b>\$22,648,347</b>                  | <b>\$45,635,282</b>                   |
| General Fund            | 5,180,391                     | 1,149,497                            | 3,753,179                       | 10,083,067                           | 1,215,612                            | 3,283,833                       | 9,679,836                            | 19,762,903                            |
| State/Other Special     | 220,495                       | 9,519                                | 0                               | 230,014                              | 9,770                                | 0                               | 230,265                              | 460,279                               |
| Federal Special         | 11,129,155                    | 1,498,592                            | 46,107                          | 12,673,854                           | 1,563,262                            | 45,829                          | 12,738,246                           | 25,412,100                            |
| Proprietary             | 0                             | 0                                    | 0                               | 0                                    | 0                                    | 0                               | 0                                    | 0                                     |
| <b>Total Funds</b>      | <b>\$16,530,041</b>           | <b>\$2,657,608</b>                   | <b>\$3,799,286</b>              | <b>\$22,986,935</b>                  | <b>\$2,788,644</b>                   | <b>\$3,329,662</b>              | <b>\$22,648,347</b>                  | <b>\$45,635,282</b>                   |

### Program Description

The State Level Activities program provides leadership and coordination of services to a variety of school and public groups. The staff provides assistance to the Superintendent of Public Instruction in performing statutorily prescribed duties. The program: 1) supports the Superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board; 2) is responsible for the distribution and accounting of state and federal funds provided to school districts; 3) maintains the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system; and 4) provides assistance and information to school districts. The program administers all federal grants received by OPI, including: 1) curriculum assistance; 2) special education; 3) ESEA/NCLB administration; 4) secondary vocational education administration; and 5) other educational services.

### Program Highlights

| <b>Department of Office of Public Instruction</b><br><b>State Level Activities</b><br><b>Major Budget Highlights</b>  |  |
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| <ul style="list-style-type: none"> <li>◆ OPI's budget for state level activities would increase by \$12.6 million in the 2009 biennium compared with base FY 2006 expenditures. Of this amount \$9.4 million is general fund, and \$3.2 million is federal funds.</li> <li>◆ The executive proposes present law adjustments of: <ul style="list-style-type: none"> <li>• \$2.4 million general fund, the largest of which is to reestablish the Indian Education for All Program, \$1.2 million</li> <li>• \$3.1 million in federal monies for increases in special education, disadvantaged children programs, school health, and adult literacy</li> </ul> </li> <li>◆ The executive proposes the following new proposals: <ul style="list-style-type: none"> <li>• Increases of \$7.0 million general fund. These include:</li> <li>• Continuing to build the student information database and to expand the data collection to data on teachers, \$3.5 million and 4.00 FTE</li> <li>• Hiring of six curriculum specialists to develop quality curriculum programs, \$1.9 million and 6.00 FTE</li> <li>• Hiring of Indian achievement gap analyst, \$1.0 million and 1.00 FTE</li> </ul> </li> </ul> |  |

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| <ul style="list-style-type: none"> <li>Enhancing tribal histories for curriculum purposes, \$0.5 million</li> <li>Increases of \$0.1 million federal funds to hire an administrative support person to assist the Title 1 director in operating the federally required school support system, 1.00 FTE</li> </ul>  |
| <b>Major LFD Issues</b>  |
| <ul style="list-style-type: none"> <li>Some of the budgeted costs for the K-12 education data system seem arbitrary and not well specified.</li> <li>The executive proposes hiring 6.00 curriculum specialists, but does not specify how this will increase student performance or teacher performance.</li> </ul> |

### Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the Governor.

| Program Funding Table  |                                  |                      |                      |                      |                        |                      |                        |
|------------------------|----------------------------------|----------------------|----------------------|----------------------|------------------------|----------------------|------------------------|
| State Level Activities |                                  |                      |                      |                      |                        |                      |                        |
| Program Funding        |                                  | Base<br>FY 2006      | % of Base<br>FY 2006 | Budget<br>FY 2008    | % of Budget<br>FY 2008 | Budget<br>FY 2009    | % of Budget<br>FY 2009 |
| 01000                  | Total General Fund               | \$ 5,180,391         | 31.3%                | \$ 10,083,067        | 43.9%                  | \$ 9,679,836         | 42.7%                  |
| 02000                  | Total State Special Funds        | 220,495              | 1.3%                 | 230,014              | 1.0%                   | 230,265              | 1.0%                   |
|                        | 02001 School Lunch Program       | 101,359              | 0.6%                 | 100,555              | 0.4%                   | 100,582              | 0.4%                   |
|                        | 02402 Traffic & Safety Education | 111,708              | 0.7%                 | 121,987              | 0.5%                   | 122,218              | 0.5%                   |
|                        | 02618 Prof Educator Prep Program | 7,428                | 0.0%                 | 7,472                | 0.0%                   | 7,465                | 0.0%                   |
| 03000                  | Total Federal Special Funds      | 11,129,155           | 67.3%                | 12,673,854           | 55.1%                  | 12,738,246           | 56.2%                  |
| Grand                  | Total                            | <u>\$ 16,530,041</u> | <u>100.0%</u>        | <u>\$ 22,986,935</u> | <u>100.0%</u>          | <u>\$ 22,648,347</u> | <u>100.0%</u>          |

### Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments                        |                  |                |                  |                    |                       |                  |                |                    |                    |
|--|------------------|----------------|------------------|--------------------|-----------------------|------------------|----------------|--------------------|--------------------|
| -----Fiscal 2008-----                          |                  |                |                  |                    | -----Fiscal 2009----- |                  |                |                    |                    |
| FTE  | General Fund     | State Special  | Federal Special  | Total Funds        | FTE                   | General Fund     | State Special  | Federal Special    | Total Funds        |
| Personal Services                              |                  |                |                  | 1,230,650          |                       |                  |                |                    | 1,267,091          |
| Vacancy Savings                                |                  |                |                  | (328,150)          |                       |                  |                |                    | (329,604)          |
| Inflation/Deflation                            |                  |                |                  | 32,266             |                       |                  |                |                    | 38,488             |
| Fixed Costs                                    |                  |                |                  | 31,785             |                       |                  |                |                    | 38,892             |
| <b>Total Statewide Present Law Adjustments</b> |                  |                |                  | <b>\$966,551</b>   |                       |                  |                |                    | <b>\$1,014,867</b> |
| DP 19 - Statewide Student Assessment (NRT)     |                  |                |                  |                    |                       |                  |                |                    |                    |
| 0.00   | 27,500           | 0              | 0                | 27,500             | 0.00                  | 42,500           | 0              | 0                  | 42,500             |
| DP 21 - Hearing Conservation Program           |                  |                |                  |                    |                       |                  |                |                    |                    |
| 0.00   | 28,007           | 0              | 0                | 28,007             | 0.00                  | 49,990           | 0              | 0                  | 49,990             |
| DP 30 - Indian Education for All Reestablished |                  |                |                  |                    |                       |                  |                |                    |                    |
| 0.00   | 573,200          | 0              | 0                | 573,200            | 0.00                  | 573,200          | 0              | 0                  | 573,200            |
| DP 31 - Federal Grant Award Adjustment - 06    |                  |                |                  |                    |                       |                  |                |                    |                    |
| 10.00  | 0                | 0              | 865,012          | 865,012            | 10.00                 | 0                | 0              | 901,966            | 901,966            |
| DP 34 - Traffic Education 0.125 FTE HB 0002    |                  |                |                  |                    |                       |                  |                |                    |                    |
| 0.13   | 0                | 4,046          | 0                | 4,046              | 0.13                  | 0                | 4,052          | 0                  | 4,052              |
| DP 51 - Indirect Cost of Base Adjustments      |                  |                |                  |                    |                       |                  |                |                    |                    |
| 0.00   | 82,301           | 896            | 98,319           | 181,516            | 0.00                  | 86,826           | 937            | 102,530            | 190,293            |
| DP 33002 - Gifted and Talented Staff Request   |                  |                |                  |                    |                       |                  |                |                    |                    |
| 0.00   | 11,776           | 0              | 0                | 11,776             | 0.00                  | 11,776           | 0              | 0                  | 11,776             |
| <b>Total Other Present Law Adjustments</b>     |                  |                |                  |                    |                       |                  |                |                    |                    |
| <b>10.13</b>                                   | <b>\$722,784</b> | <b>\$4,942</b> | <b>\$963,331</b> | <b>\$1,691,057</b> | <b>10.13</b>          | <b>\$764,292</b> | <b>\$4,989</b> | <b>\$1,004,496</b> | <b>\$1,773,777</b> |
| <b>Grand Total All Present Law Adjustments</b> |                  |                |                  | <b>\$2,657,608</b> |                       |                  |                |                    | <b>\$2,788,644</b> |

DP 19 - Statewide Student Assessment (NRT) - Increased costs associated with the OPI contract for administration of a statewide norm-referenced test in grades 4, 8 and 11 are estimated to be \$27,500 in FY 2008 and \$42,500 in FY 2009. The statewide student assessment is required by the Administrative Rules of the Board of Public Education for the accreditation of schools. The Office of Public Instruction estimates that the cost of a new contract will be \$310,000 in FY 2008 and \$325,000 in FY 2009. The present law base for the Statewide Student Assessment is \$282,500.

DP 21 - Hearing Conservation Program - Contracting for regional audiological evaluators for the hearing conservation program is estimated to cost an additional 3 percent or \$18,007 in FY 2008 and \$39,990 in FY 2009. Additionally, replacement and maintenance of equipment used to test hearing for K-12 school children across the state is proposed at \$10,000 in each year of the 2009 biennium. Contracts with providers expire on June 30, 2007.

DP 30 - Indian Education for All Reestablished - This proposal would reestablish the Indian Education for All in state level activities for OPI. The 2005 Legislature established a biennial appropriation of \$2,310,846 in the 2007 biennium (\$1,155,423 each year) to create the Indian Education for All program. In FY 2006, only \$560,040 was spent. This decision package would add \$573,200 in each year of the 2009 biennium to the FY 2006 amount, making the 2009 biennial appropriation slightly less than during the 2007 biennium.

DP 31 - Federal Grant Award Adjustment - 06 - This appropriation is to adjust federal spending authority for grant awards due to standard increases in federal funding. Funds are used to support the administration of current federal grants and provide technical assistance to schools. The adjustment is \$865,012 in FY 2008 and \$901,966 in FY 2009. This is a biennial appropriation.



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The following figure lists the purposes of the new federal money.

| Present Law Changes in Federal Grant Administration<br>2009 Biennium |                    |                  |                  |
|--|--------------------|------------------|------------------|
| Grant  | Base<br>2006       | Fiscal<br>2008   | Fiscal<br>2009   |
| <u>Programs Increased</u>  |                    |                  |                  |
| State Assessments  | \$94,967           | \$130,579        | \$124,127        |
| Coordinated School Health Program                                    | 1,275,735          | 62,015           | 62,063           |
| ESEA Title I, Part A, Improving Basic Programs                       | 1,812,154          | 338,306          | 338,463          |
| IDEA Part B, Children With Disabilities                              | 2,294,036          | 207,810          | 257,467          |
| Adult Basic and Literacy Education (ABLE)                            | 696,339            | 126,302          | 119,846          |
| Total  | <u>\$6,173,231</u> | <u>\$865,012</u> | <u>\$901,965</u> |

DP 34 - Traffic Education 0.125 FTE HB 0002 - The Health Enhancement and Safety Division of OPI requests a state special spending authority increase of \$8,294 for the 2009 biennium and 0.125 FTE for increased administrative support for the traffic education program. This position is part of the Superintendent's staff to fulfill statutory requirements of Title 20, Chapter 7, Part 5, MCA, Traffic Education for Montana schools.

The division is requesting a total of 0.25 FTE increase split between two budgets. It increases a state special funded administrative support position for the traffic education program by 0.125 FTE - from 0.4 to 0.525; and a proprietary enterprise funded administrative support position for the Montana DRIVE program by 0.125 FTE - from 0.1 to 0.225 FTE. The proprietary funded position is not included in HB 2 (See the "Proprietary Rates" Section).

DP 51 - Indirect Cost of Base Adjustments - The executive recommends additional appropriation authority for the indirect cost portion of the general fund, state special revenue fund, and federal fund base adjustments. The general fund increase is \$82,301 in FY 2008 and \$86,826 in FY 2009. The federal funds increase is \$98,319 in FY 2007 and \$102,530 in FY 2008. In addition to providing central services within the agency, these adjustments fund increases in statewide cost assessments for the legislative audit, SABHRS costs, a portion of the increases in rent, and others. For a further discussion, see the "Proprietary Rates" section.

DP 33002 - Gifted and Talented Staff Request - Continuation of the operating expenses not in the base year for the 0.50 FTE gifted and talented specialist funded in FY 2007 by the 2005 Legislature will cost \$11,776 each year of the biennium. This position assists school gifted and talented programs across the state. The personal services money associated with this position are in the statewide present law adjustments. This money in this proposal is for operating expenses.

## New Proposals

| New Proposals -----Fiscal 2008-----                     |              |                    |               |                 |                    | -----Fiscal 2009----- |                    |               |                 |                    |
|---|--------------|--------------------|---------------|-----------------|--------------------|-----------------------|--------------------|---------------|-----------------|--------------------|
| Program   | FTE          | General Fund       | State Special | Federal Special | Total Funds        | FTE                   | General Fund       | State Special | Federal Special | Total Funds        |
| DP 6 - K12 Education Data Systems                       |              |                    |               |                 |                    |                       |                    |               |                 |                    |
| 06  | 4.00         | 1,866,814          | 0             | 0               | 1,866,814          | 4.00                  | 1,592,133          | 0             | 0               | 1,592,133          |
| DP 8 - Curriculum Specialist Support to Quality Schools |              |                    |               |                 |                    |                       |                    |               |                 |                    |
| 06  | 6.00         | 959,700            | 0             | 0               | 959,700            | 6.00                  | 924,816            | 0             | 0               | 924,816            |
| DP 16 - Storage Area Network (SAN) Replacement - OTO    |              |                    |               |                 |                    |                       |                    |               |                 |                    |
| 06  | 0.00         | 160,000            | 0             | 0               | 160,000            | 0.00                  | 0                  | 0             | 0               | 0                  |
| DP 33 - School Support System Assistant (Federal)       |              |                    |               |                 |                    |                       |                    |               |                 |                    |
| 06  | 1.00         | 0                  | 0             | 46,107          | 46,107             | 1.00                  | 0                  | 0             | 45,829          | 45,829             |
| DP 53 - Indian Education Programs                       |              |                    |               |                 |                    |                       |                    |               |                 |                    |
| 06  | 1.00         | 509,928            | 0             | 0               | 509,928            | 1.00                  | 510,147            | 0             | 0               | 510,147            |
| DP 54 - Indian Ed for All Tribal History - Biennial OTO |              |                    |               |                 |                    |                       |                    |               |                 |                    |
| 06  | 0.00         | 237,500            | 0             | 0               | 237,500            | 0.00                  | 237,500            | 0             | 0               | 237,500            |
| DP 23002 - Surplus Computers for Schools                |              |                    |               |                 |                    |                       |                    |               |                 |                    |
| 06  | 0.00         | 19,237             | 0             | 0               | 19,237             | 0.00                  | 19,237             | 0             | 0               | 19,237             |
| <b>Total</b>  | <b>12.00</b> | <b>\$3,753,179</b> | <b>\$0</b>    | <b>\$46,107</b> | <b>\$3,799,286</b> | <b>12.00</b>          | <b>\$3,283,833</b> | <b>\$0</b>    | <b>\$45,829</b> | <b>\$3,329,662</b> |

DP 6 - K12 Education Data Systems - This decision package provides continued funding for a K-12 education data system that was developed with one time only funding in the 2005 legislature. This data system will continue to improve data collection practices and data quality about K-12 students and be enhanced to include data on educators. Continuation, enhancement, and expansion of the K-12 education data system would cost \$3.459 million in the 2009 biennium and provide 4.0 FTE to the Office of Public Instruction (OPI) for the operation and maintenance of the systems. The OPI would focus on the following:

- Enhancements of the existing e-grants system to include submission, review, and tracking of school district state and federal education grant applications. OPI will also incorporate the electronic grants management tool into the five year comprehensive education plan.
- Expansion will include data collection on school staffing to provide better information for decisions about recruitment and retention of highly qualified teachers in the 2009 biennium.
- This funding also provides \$3.25 per student enrolled in each district to help districts cover the cost of exchanging data between the district and the state data systems for an annual cost of \$475,000.
- The OPI and the Office of Commissioner of Higher Education (OCHE) are working together to coordinate data systems that link students' educational opportunities in K-12 with their successes in college and to link teacher preparation programs with success in the K-12 classroom.

The proposal includes the following components:

1. Maintaining and enhancing the student information system and data warehouse.
2. Funding is requested for on-going contracts with vendors and for personal services and operating budgets for 4.0 FTE at OPI, including the OPI project manager, data resource administrator, database administrator, and student records manager. OPI also proposes to allocate \$475,000 annually to assist schools with the exchange of data between local district systems and the state education data systems.
3. Expanding the K-12 education data systems to include data on school staffing, including teacher qualifications, experience, professional development, teacher mobility, personnel assignments, employment status, and salary and benefit information. Funding would be used to contract with vendors/facilitators to design the data models.
4. Purchasing of servers, backup and offsite disaster recovery services, and facilities for equipment necessary to operate the data systems.

*The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.*

Justification: This request is for \$3.459 million for the 2009 biennium to support the Montana Statewide Accountability System for Education (MontSASE). This funding will cover expenses related to maintaining and enhancing the student achievement system and e-grants systems that OPI is implementing in the 2007 biennium; expanding the system development to include data on school staffing; and for the purchase of equipment necessary to operate secure and reliable data systems.

Goals: It is the mission of the Office of Public Instruction to improve teaching and learning through communication, collaboration, advocacy, and accountability to those we serve.

The five agency-wide goals of the Office of Public Instruction are:

- Goal 1: Support schools so that all students can achieve high standards
- Goal 2: Assess and communicate the quality and achievements of K-12 education
- Goal 3: Provide access to and management of information and data related to K-12 school improvement
- Goal 4: Deliver quality instruction through professional development
- Goal 5: Support accountability and improvement in all Montana schools

This proposal supports three of the five agency-wide goals of the Office of Public Instruction. The three goals that are targeted with this proposal are:

- Goal 2: Assess and communicate the quality and achievements of K-12 education
- Goal 3: Provide access to and management of information and data related to K-12 school improvement
- Goal 5: Support accountability and improvement in all Montana schools

Performance Criteria:

Implementation of AIM and the Electronic Grants Management System:

In the 2007-2008 school year, OPI will complete a full data collection cycle using AIM (Achievement in Montana), the new statewide student achievement system. The integrated data collection will provide enrollment counts, student demographic data, information about students served by state and federal education programs, including special education information services and programs.

In the 2007-2008 school year, OPI will eliminate data collection and report forms that require school districts to aggregate student counts prior to submittal to OPI. OPI will not require school districts to "re-assemble" and report any student demographic or assessment data that is already stored at OPI.

In 2007-2008, OPI will use the AIM system to register students for the statewide student assessment and report on student achievement and adequate yearly progress under No Child Left Behind.

In 2007-2008, state and federal education grant applications will be submitted, reviewed, and tracked through the electronic grants management system. OPI will process allocations and disbursements through this same system. The integrated system will require schools to tie their grant resources to their comprehensive education plans and performance indicators.

By June 2009, OPI will incorporate the electronic grants management tool into the five year comprehensive education plan, thereby providing the mechanism by which schools can link their financial resources to their educational program goals.

Development of the School Staffing Module: OPI will complete a strategic and tactical plan for the development of the school staffing module of the Achievement in Montana (AIM) information system. The planning process will involve various stakeholders who collect and use data related to school staffing, including the OPI, the Teachers Retirement System, teacher education and education leadership programs, MEA-MFT, legislative staff, and employee benefits providers.

Once the planning process is complete, OPI will be ready to issue a request for proposals to develop and implement the new module. After selecting a vendor, OPI will begin work on the school staffing module.

The first collection using the new module will be school personnel assignments. Additional collections related to staff salaries and experience levels must be coordinated with TRS data collections and OPI's educator licensure system. The data collection instruments for collecting educational qualifications, staff salaries and benefit information will be determined through the planning process.

#### Milestones: AIM – Achievement in Montana

|                |  |
|----------------|--|
| October 2006   | All K-12 students in public or private accredited schools are assigned a unique student identifier. (OPI will not collect Social Security Numbers.)      |
| November 2006  | Training of school personnel completed for first data collection through AIM<br>Training materials available in printed and recorded electronic formats  |
| December 2006  | All school districts provide student counts through AIM for registration for the statewide student assessment  |
| February 2007  | Spring enrollment count completed using AIM<br>OPI eliminates the collection of aggregate student counts through the Annual Data Collection and MAEFAIRS |
| March 2007     | Testing cycle enrollment count completed using AIM   |
| April 2007     | Special education reporting begins in AIM  |
| June 2007      | OPI renews contracts with vendors for AIM  |
| August 2007    | OPI distributes local assistance to schools to support local information systems and staff training  |
| September 2007 | OPI provides field training for new and experienced school personnel   |

#### Electronic Grants Management

|               |  |
|---------------|--|
| May 2007      | School districts complete the Federal Consolidated Application (FCA) for using the new electronic grants management system |
| June 2007     | School districts complete grant applications for funding under the Individuals with Disabilities Education Act (IDEA)      |
| June 2007     | OPI renews contracts with vendors for student achievement system and electronic grants management system                   |
| December 2007 | OPI expands the electronic grants management system to include state and federal grants not included in the FCA            |

#### Staffing Module

|                |  |
|----------------|--|
| July 2007      | OPI hires educator data specialist and educator records manager  |
| November 2007  | OPI completes planning document for school staffing module   |
| November 2007  | OPI issues an RFP for the development of the staffing module   |
| February 2008  | OPI contracts with selected vendor for the staffing module   |
| September 2008 | OPI collect personnel assignments from schools using new module  |
| September 2009 | OPI, in coordination with other state entities, begins collecting salary and benefit information and education experience levels |

FTE: In 2005, the legislature authorized \$2.8 million and 4.0 FTE positions at OPI for the development of K-12 education data systems. The funding and positions were designated as one-time only, which meant that OPI would need to present justification to the 2007 Legislature for the resources necessary to fund the on-going costs of the new system. OPI has hired the 4.0 FTE positions and requests the on-going funding for these positions.

- 1.0 FTE Project Manager for both the AIM project and the e-grants project.
- 1.0 FTE Database Administrator (DBA) to ensure that the OPI data systems are available and maintain satisfactory performance to the maximum extent possible.

- 1.0 FTE Data Resource Administrator (DRA) to work with OPI and school personnel to develop and enforce the policies and procedures necessary to ensure a robust and functional information system.
- 1.0 FTE Student Records Manager to manage the assignment of student identifiers to all students (approximately 146,000) who are served in the K-12 public school system.

**Funding:** This request is for a general fund appropriation. An integrated K-12 education data system is necessary to evaluate and improve the state's basic system of quality education and to measure student achievement and progress over time. Federal funds have been and continue to be used to augment portions of the K-12 education systems, including the special education information management component as well as staff time to design the systems. State resources are needed to ensure the system is designed to meet the full spectrum of information needs for the State of Montana. OPI has applied unsuccessfully for federal competitive grants to fund its K-12 education data system. OPI will continue to compete for these resources as further opportunities become available.

**Obstacles:**

- On-going costs associated with maintaining and updating these systems.
- Training of school personnel to use these systems is critical to their success.
- Lack of high speed internet access at approximately 25 school districts

**Risks:** The state has already committed \$2.8 million to the development of K-12 education data systems. The many benefits that can result from high quality information and accountability systems will not be realized until these systems have been in place for at least a couple of years. It is crucial that the legislature continue to support these information systems in order to evaluate the overall success of our K-12 public school system.

**LFD  
COMMENT**

The commitment to developing better data systems on students and teachers has been driven by the data needs required by No Child Left Behind, and by various adequacy lawsuits around the country. As a result more than half the states have begun to build student teacher database systems. An organization devoted to a goal of having all 50 states create school data systems, the Data Quality Campaign, suggests that these data systems have the following elements:

- A unique student identifier;
- Student level enrollment, demographic and program participation;
- Ability to match individual students' test records from year to year to measure academic growth;
- Information on untested students;
- A teacher identification system with ability to match teachers with students;
- Student level transcript information, courses completed, grades earned;
- College readiness test scores;
- Graduation and dropout data;
- Ability to match student records between K-12 and postsecondary educational systems;
- A state audit system to assess data quality, validity and reliability; and
- Collection of financial data at the school and program level with links to individual student achievement.

**LFD  
COMMENT**

Of the nearly \$3.5 million requested, \$500,000 is for personal services, \$1.7 million for consulting and professional services, \$183,000 for indirect costs and administrative expenses, and \$950,000 to buy a version of Infinite Campus software for each district.

**DP 8 - Curriculum Specialist Support to Quality Schools -** The executive supports the State Superintendent's request for funding for curriculum specialists to support schools at a biennial cost of \$1.885 million. The new 6.0 FTE would provide technical assistance to K-12 quality public schools in curricular areas such as science, mathematics, early childhood (kindergarten), communications arts (including reading, writing, listening, and speaking), library media, and high school curriculum/dropout prevention. The FTE would be charged to:

- Develop resources for teachers and administrators based on research, best practices in curriculum and classroom instruction

- Assist schools in working with teachers, parents and students in career and academic planning that meets each student's unique interests, needs and aptitudes
- Assist schools with a smooth transition to full-time kindergarten and school readiness
- Improve teacher educator preparation programs within the Montana units of higher education
- Determine the professional development needs of schools on a regional basis and assist in the delivery to school personnel
- Provide research-based instructional strategies and training to teachers
- Assist local schools long-range planning for improved student performance
- Integrate Indian Education for All in curriculum
- Assist schools in developing educational experiences that promote increased graduation rates, improve attendance, and reduce dropout rates

Justification: The Office of Public Instruction (OPI) requests six FTE and \$959,700 in FY 2008 and \$924,816 in FY 2009 to provide assistance to Montana educators in the areas of content and performance standards (what students should know and be able to do); resource materials and model curricula; accreditation requirements; continuous school improvement; accreditation of higher education teacher preparation programs; and professional development for educators. OPI will conduct regularly scheduled on-site visits to Montana school districts to monitor, assist and support student learning, ensuring a quality education for all Montana students.

The Montana Board of Public Education (BPE) defines and specifies the basic instructional program for pupils in public schools and the programs are set forth in the standards of accreditation. Mont. Code Ann. Sec. 20-7-111. The BPE adopts standards of accreditation upon the recommendation of the state superintendent of public instruction. ARM 10.55.601 (1).

Goals: It is the mission of the Office of Public Instruction to improve teaching and learning through communication, collaboration, advocacy, and accountability to those we serve.

The five agency-wide goals of the Office of Public Instruction are:

- Goal 1: Support schools so that all students can achieve high standards
- Goal 2: Assess and communicate the quality and achievements of K-12 education
- Goal 3: Provide access to and management of information and data related to K-12 school improvement
- Goal 4: Deliver quality instruction through professional development
- Goal 5: Support accountability and improvement in all Montana schools

This proposal supports three of the five agency-wide goals of the Office of Public Instruction. The three goals that are targeted with this proposal are:

- Goal 1: Support schools so that all students can achieve high standards;
- Goal 4: Deliver quality instruction through professional development; and
- Goal 5: Support accountability and improvement.

Performance Criteria: By June 30, 2008, development of model curriculum in science (science content and performance standards were revised in September 2006) and model curriculum for full-time kindergarten will be completed and disseminated to Montana schools, and revisions of content and performance standards in mathematics and communication Arts will be completed, approved by the BPE and disseminated to all Montana school districts.

By June 30, 2008, curriculum specialists will complete development and training of school support teams to provide on-site assistance to Montana schools using effective schools research and peer reviewers. Specialists will also assist Montana educators in the revisions of their five-year comprehensive education plans and meeting accreditation standards.

By June 30, 2009, school support teams will complete visits to 20 Montana school districts. In addition, specialists will establish an ongoing review cycle for all Montana school districts.

By June 30, 2009, a science assessment model will be developed for use in Montana classrooms as required by ARM 10.55.603.

By June 30, 2009, model curricula in mathematics and communication arts will be completed, and disseminated to all Montana school districts. Revisions of content and performance standards in social studies, and library media will be completed, approved by the BPE and disseminated to all Montana school districts.

During each year of the biennium, curriculum specialists will train team members and conduct on-site reviews of two higher education teacher preparation programs, as required for state and national accreditation of these programs. Reports of the reviews will be presented to the BPE for approval.

Milestones: August 2007: All six curriculum specialists will be hired.

September 2007: Development and approval of timeline of activities and work plans for the rest of the fiscal year.

September 2007 to June 2008: Development and dissemination of model science curriculum and model curriculum for full-time kindergarten. Development, approval by the BPE and dissemination of revised content and performance standards (what students should know and be able to do) in mathematics and communication arts. Provide assistance to Montana educators in the revision of the five-year comprehensive education plan.

September 2007 to June 2008: Train reviewers and conduct on-site reviews of two higher education teacher education preparation programs. Provide reports for approval to the BPE.

September 2007 to June 2008: Conduct on-site reviews of 20 school districts to provide assistance in the five-year comprehensive education plan and meet accreditation standards.

June 2008 to November 2008: Conduct workshops for teachers on the implementation of the revised mathematics and communication arts content and performance standards and model curricula for science and full-time kindergarten.

June 2008 to April 2009: Development and dissemination of model classroom assessment tools for science and full-time kindergarten.

June 2008 to April 2009: Development and dissemination of mathematics and communication arts model curricula.

July 2008: Development and approval of timeline of activities and work plans for the fiscal year. Supervision and approval of activities will be provided on a weekly basis by the division administrator, on a monthly basis by the assistant superintendent, and on a quarterly basis by the deputy superintendent and/or state superintendent.

September 2008 to June 2009: Conduct on-site reviews of 20 school districts to provide assistance in the implementation and assessment of the five-year comprehensive education plan. School support teams will be utilized.

May and June 2009: Conduct workshops for educators on the implementation of the revised standards and model curricula for mathematics and communication arts and the model classroom assessment tools for science and full-time kindergarten.

Train reviewers and conduct on-site reviews of two higher education teacher education preparation programs. Provide reports for approval to the BPE.

FTE: The request includes six specialists in the areas of communication arts, mathematics, science, social studies, library, and early childhood education. Specialists will work with Montana educators to revise content and performance standards, develop model curricula and classroom assessment tools, provide assistance in the revision of the five-year comprehensive education plan, deliver professional development, conduct on-site reviews of school districts, and

conduct on-site reviews of higher education teacher education preparation programs.

**Funding:** This is a general fund request. No other funds are available to perform the activities outlined in this proposal. The development of content and performance standards, model curricula, classroom assessment tools, and the monitoring of higher education teacher preparation programs is the responsibility of the state in order to provide a basic system of quality public education for all Montana students. Mont. Code. Ann. Sec. 20-9-309

**Obstacles:** The K-12 public education system in Montana presents a unique set of obstacles associated with student achievement, teacher and administrator professional development, program monitoring and ongoing technical assistance. Unique obstacles tend to fall into the following categories:

- **Geography:** Montana has 430 school districts encompassing 840 schools in an area of 147,000 square miles. The impacts of this obstacle include travel time and cost. This obstacle will be mitigated by using strategies such as video-conferencing, meeting with educational cooperatives, and working through county superintendents and other education associations for mass delivery.
- **Size and numbers:** Montana's K-12 schools vary in size from one-room, rural schools of a half-dozen students to high schools enrolling more than 2,000 students. The obstacles associated with this proposal include developing high-quality professional development, materials and resources and science-based technical assistance, not only for elementary, middle and high schools, but for rural and urban schools, small and large schools, reservation and non-reservation, and institutional schools such as the Montana School for the Deaf and Blind and Pine Hills Correctional School. This obstacle will be mitigated through the use of Montana educators in the development of materials to meet the needs of diverse audiences and building regional capacity for delivery of professional development and resources.
- **Community/Agency Resources:** Availability of assistance is a unique Montana obstacle. Many schools in more populous states have the advantage of a higher education unit nearby, community-based organizations for assistance, and other local, state or federal agency resources. Most Montana public schools have none of these available. Consequently, often the only means of high-quality professional development is to go out of state, the only means of technical assistance is a high priced out-of-state consultant and the only materials available are high-cost private vendors. This proposal builds capacity through work with partners such as higher education, involving the "field," and working with education associations to provide cost-effective assistance to schools. This obstacle will be mitigated through the use of partners and their various delivery mechanisms and strategies.

**Risks:** A statewide system of education accountability must include current standards for academic content and performance; curriculum and instructional materials aligned to the standards; assessment tools for evaluating student knowledge and performance; and processes for improving instruction to increase student achievement.

#### **LFD ISSUE**

The Montana Constitution in Article X, section 8 states: the supervision and control of schools in each school district shall be vested in board of trustees to be elected as provided by law. The proposal does not detail whether the materials developed by the curriculum specialists will be required to be used by the school districts, or just suggestions for use.

In addition, this proposal does not detail how greater student performance as a result of hiring 6 curriculum specialists will be measured. Nor does it detail whether and how teacher performance is to be measured as a result of the hiring of 6 curriculum specialists.

#### **LFD COMMENT**

Of the nearly \$1.9 million requested for the 2009 biennium, \$0.7 million would be used for personal services (or salary and benefits of an average of \$56,616 per specialist per year) and \$1.2 million (biennial) is for operating expenses. Of the operating expenses, OPI would spend \$77,000 on consulting services, \$69,000 on substitute teachers, \$60,000 on honorariums, \$10,000 on employee travel, \$160,000 on non-employee travel, \$141,000 on educational grants, and \$287,000 on indirect and administrative expenses.



DP 16 - Storage Area Network (SAN) Replacement - OTO - The OPI Storage Area Network (SAN) is a machine that houses the OPI servers that contain OPI's data and computer software. The SAN was purchased in 2004, will be obsolete in 2008, and will no longer be on a maintenance contract. The state's standard replacement period for this type of equipment is 4 years, and the equipment and software must be replaced in 2008. The cost is \$71,000 for SAN equipment, \$66,000 for SAN software, and \$23,000 for fiber switches. This results in a one-time cost of \$160,000 in the first year of the biennium.

The SAN replacement was included in the State IT Plan for the biennium (OPI IT Plan, March 2006 "ITO 3-0 Replace existing SAN").

DP 33 - School Support System Assistant (Federal) - This request for \$46,107 in FY 2008 and \$45,829 in FY 2009 funds a 1.00 FTE administrative support position to assist the Title I director and accreditation specialist in operating the federally required School Support System. The position would schedule and manage logistics for up to 50 school visitations per year to comply with federal law.

DP 53 - Indian Education Programs - The executive requests continued funding of \$509,928 in FY 2008 and \$510,147 in FY 2009 for the Office of Public Instruction to assist quality schools with the unique needs of American Indian students and ensuring that Indian Education for All is imbedded in the classroom instruction. This request includes funding 1.0 FTE for an Indian achievement gap analyst to gather data, analyze successful strategies, and provide technical assistance to improve Indian student achievement to coordinate with the Indian Achievement Gap component of the school funding formula.

**LFD  
ISSUE**

The request does not have a justification for the nearly \$0.5 million in consulting and professional services it contains.

DP 54 - Indian Ed for All Tribal History - Biennial OTO - The executive recommends funding to complete an effort started in the 2005 Legislature to record Montana's tribal histories for K-12 students as part of Indian Education for All. The funds would be distributed as follows:

- \$200,000 is requested for the Little Shell Tribal Nation to write their history since they were not included in the 2007 legislative appropriation for the seven tribal colleges to detail tribal histories. These funds would be distributed to the Great Falls College of Technology who will work with the Little Shell Tribal Nation.
- \$175,000 is requested for the seven tribal colleges (\$25,000 each) to coordinate with OPI for completion of the history project started in the 2007 biennium. These funds will be distributed through the OPI.
- \$100,000 is requested for OPI for oversight of the tribal history curriculum development and implementation for use by K-12.

DP 23002 - Surplus Computers for Schools - This request for \$19,237 in each year of the biennium would pay a portion of the rent on the facility used by OPI to warehouse, process, and distribute surplus state computer equipment to school districts across the state under the Surplus Computer Program. The request also funds the lease of a small equipment van for hauling computers and monitors from donating state agencies in Helena to the facility. Each year, this program provides thousands of donated surplus computers to school districts.

**Language**

"All appropriations for federal special revenue programs in state level activities and in local education activities, and all general fund appropriations in local educational activities are biennial."

### Proprietary Program Description

OPI Indirect Cost Pool - OPI's internal service fund (A/E 06512) is used to pool internal and statewide central service type costs that are charged back to all of OPI's state and federally funded programs using a pre-approved indirect cost rate.

The Advanced Driver Education program (also known as Montana DR.I.V.E.) - This is a seasonal hands-on behind-the-wheel crash avoidance program operated by the Health Enhancement and Safety Division of the Office of Public Instruction at their training facility in Lewistown. The one-day and half-day refresher courses provide training to school bus drivers, driver education teachers, MDT employees, ambulance drivers, and others who drive as a part of their employment. The program offers its services to employees of government services and to the general public.

### Revenue Description

Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying an approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. Last fiscal year OPI federal programs contributed \$1,099,972 (SABHRS revenue account 584002) towards the cost of "indirects"; general and other state-funded programs contributed \$879,092 (SABHRS revenue account 520260). State and federal program payments to the indirect cost pool are recorded using SABHRS account 62827.

### Expense Description

Costs of OPI operations that are paid from the indirect cost pool include:

Termination payouts (vacation/comp time/sick leave) for all staff (except the State Superintendent and her personal staff).

Services provided to OPI by other state agencies for a fee:

- Depart. of Admin. (DofA) General Liability Insurance and Employee Bonds
- DofA Warrant writing fees
- DofA Payroll Service fees
- DofA telephone equipment charges
- DofA rent charge for common areas (bathrooms, halls, conference rooms)
- Legislative Audit fees
- DofA network service fees
- Fish, Wildlife and Parks grounds maintenance fee
- OPI's share of statewide indirect costs, allocated through a Statewide Cost Allocation Plan (SWCAP) prepared by the Department of Administration.
- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, word processing, mail delivery and resource center services to all OPI programs. Operating costs associated with 22.15 positions are paid from the pool, including the cost of rent for space they occupy, office supplies, postage, long distance phone charges, equipment, training, travel, photocopy charges, etc.
- General-use items such as paper, FAX lines and shared equipment, including maintenance contracts on that equipment.

### Working Capital Discussion

Working Capital is not considered in the rate determination. Sufficient working capital is needed for cash flow during the first 30 - 45 days of the fiscal year.

### Fund Equity and Reserved Fund Balance

There is no requirement to reserve fund balance. Management's objective is to maintain the minimum balance necessary for on-going operations. If a significant balance accumulates because direct expenses increase at a faster rate than indirect expenses, the approved rate will adjust downward to reduce the excess over time.

## 2009 Biennium Report on Internal Service and Enterprise Funds

| Fund  | Fund Name          | Agency # | Agency Name                  | Program Name           |           |           |           |
|---|--------------------|----------|------------------------------|------------------------|-----------|-----------|-----------|
| 06512   | Indirect Cost Pool | 3501     | Office of Public Instruction | State Level Activities |           |           |           |
|   |                    |          |                              | Actual                 | Actual    | Actual    | Budgeted  |
|   |                    |          |                              | FY04                   | FY05      | FY06      | FY07      |
|   |                    |          |                              |                        |           |           | Budgeted  |
|   |                    |          |                              |                        |           |           | FY08      |
|   |                    |          |                              |                        |           |           | FY09      |
| <b>Operating Revenues:</b>                        |                    |          |                              |                        |           |           |           |
| Nonfederal indirect cost recoveries               |                    |          |                              | 633,535                | 670,018   | 879,092   | 850,000   |
| Federal Indirect Cost Recoveries                  |                    |          |                              | 910,384                | 1,138,708 | 1,099,972 | 1,050,000 |
| Other Operating Revenues                          |                    |          |                              | 2,171                  | 2,784     | 3,472     | -         |
| Total Operating Revenue                           |                    |          |                              | 1,546,090              | 1,811,510 | 1,982,536 | 1,900,000 |
| <b>Operating Expenses:</b>                        |                    |          |                              |                        |           |           |           |
| Personal Services                                 |                    |          |                              | 968,660                | 1,044,037 | 1,010,252 | 1,074,459 |
| Other Operating Expenses                          |                    |          |                              | 605,007                | 598,289   | 693,342   | 547,239   |
| Total Operating Expenses                          |                    |          |                              | 1,573,667              | 1,642,326 | 1,703,594 | 1,621,698 |
| Operating Income (Loss)                           |                    |          |                              | (27,577)               | 169,184   | 278,942   | 278,302   |
| Total Net Assets- July 1 - As Restated            |                    |          |                              | (16,660)               | (44,237)  | 124,947   | 403,889   |
| Total Net Assets - July 1 - As Restated           |                    |          |                              | (16,660)               | (44,237)  | 124,947   | 403,889   |
| Net Assets- June 30                               |                    |          |                              | (44,237)               | 124,947   | 403,889   | 682,191   |
| 60 days of expenses                               |                    |          |                              |                        |           |           | 682,191   |
| (Total Operating Expenses divided by 6)           |                    |          |                              | 262,278                | 273,721   | 283,932   | 321,875   |
| <b>Requested Rates for Internal Service Funds</b> |                    |          |                              |                        |           |           |           |
| <b>Fee/Rate Information</b>                       |                    |          |                              |                        |           |           |           |
|   |                    |          |                              | Actual                 | Actual    | Actual    | Budgeted  |
|   |                    |          |                              | FYE 04                 | FYE 05    | FYE 06    | FY 07     |
|   |                    |          |                              |                        |           |           | Budgeted  |
|   |                    |          |                              |                        |           |           | FY 08     |
|   |                    |          |                              |                        |           |           | FY 09     |
| Unrestricted Rate                                 |                    |          |                              | 20.0%                  | 21.4%     | 21.4%     | 21.4%     |
| Restricted Rate                                   |                    |          |                              | 17.0%                  | 17.3%     | 17.3%     | 20.4%     |

OPI's indirect cost rate is negotiated with the U.S. Department of Education every three-years in accordance with federal regulations published in OMB Circular A-87, U.S. Department of Education General Administrative Requirements, and section 17-3-111, MCA. The restricted rate approved by the U.S. Department of Education for FY2005-FY2007 is 17.3%. The approved unrestricted rate is 21.4%. The restricted rate is applied to all general fund programs and to federal programs with "supplement not supplant" requirements.

**DRIVE (Driver In-Vehicle Education) Program in Lewistown****Revenue Description**

Revenues are generated from workshop fees collected from participants in the program and from other track users for the use of the facility. Typically the program services 450-550 participants a season. The current fee is \$225 for full-day workshop per person and \$135 for a half-day. There will be anticipated growth in services to participants of 10 percent. This increase is due to an agreement with MDT to conduct a teen research project. It is also expected to see modest growth in other users of the track who pay for its use.

**Expense Description**

Cost drivers for fees include instructor expenses (includes salaries, travel and per diem); vehicle maintenance and operating expenses, classroom and track supplies, track lease, program advertising, and administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Unexpected increases in fuel costs this last year consumed the revenue projected to support periodic capital and maintenance costs. It is anticipated that an increase in fees is needed to keep abreast of inflation.

**Working Capital Discussion**

This program is a summer seasonal program that operates 45 - 55 days during June, July and August. The program typically employs four grade 16 instructors for each workshop (10 - 11 hours per day each). A director (0.15) and a program specialist (0.125) provide administrative support during the year. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized June through August, with continuing administrative expenses during the remainder of the year. The program requires 30 - 45 percent of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July - March.

**Fund Equity and Reserved Fund Balance**

In addition to operating expenses during non-revenue months, the program also incurs periodic (every 2 - 5 years) expenditures for replacement of vehicles and facility maintenance/improvement. Payment of these services requires accumulation and carryover of revenues from year to year an amount of approximately 10 - 20 percent of its annual budget.

**Proprietary Rate Explanation**

OPI negotiates a three year "predetermined rate" with the U.S. Department of Education every year. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The proposed rate for fiscal years 2008 through 2010 is 19.4 percent.

**The DRIVE Program Rates**

Workshop rates are fixed rates evaluated against workshop personnel expenses, operating expenses and depreciated vehicle costs on a seasonal basis to ensure workshop operating expenses are covered. Inflationary influences are anticipated as best as possible to ensure that inflation does not leave the program in a deficit situation. All attempts are made to keep workshop fees low since the potential customers such as bus drivers, volunteer firemen and ambulance drivers have small training budgets. Facility use rates are fixed rates that reflect a share of facility costs to lease and maintain track and buildings.

| 2009 Biennium Report on Internal Service and Enterprise Funds  |  |                  |                              |                        |                   |                   |                   |
|--|--|------------------|------------------------------|------------------------|-------------------|-------------------|-------------------|
| Fund   | Fund Name  | Agency #         | Agency Name                  | Program Name           |                   |                   |                   |
| 06067  | Advanced Drivers Education                                     | 3501             | Office of Public Instruction | State Level Activities |                   |                   |                   |
|  |  | Actual<br>FY04   | Actual<br>FY05               | Actual<br>FY06         | Budgeted<br>FY07  | Budgeted<br>FY08  | Budgeted<br>FY09  |
| <b>Operating Revenues:</b>   |  |                  |                              |                        |                   |                   |                   |
| Fee revenue  |  |                  |                              |                        |                   |                   |                   |
| From Fee A - Full Day Workshop   |  | 84,153           | 121,927                      | 92,244                 | 148,000           | 155,000           | 160,000           |
| Half Day Refresher Workshop  |  | 3,715            | 4,430                        | 7,050                  | 7,200             | 8,000             | 8,000             |
| From Fee B - Daily Track Rentals, Exclusive  |  | 1,000            | 2,625                        | 2,280                  | 2,500             | 2,750             | 2,750             |
| From Fee C - Periodic or Extended Track Rental, Non-Exclu.   |  | N/A              | -                            | -                      | -                 | -                 | -                 |
| From Fee D - Custom Training/Workshop  |  | N/A              | -                            | 75,000                 | -                 | -                 | -                 |
| Net Fee Revenue  |  | 88,918           | 128,982                      | 176,574                | 157,700           | 165,750           | 170,750           |
| Investment Earnings  |  | -                | -                            | -                      | -                 | -                 | -                 |
| Securities Lending Income  |  | -                | -                            | -                      | -                 | -                 | -                 |
| Premiums   |  | -                | -                            | -                      | -                 | -                 | -                 |
| Other Operating Revenues   |  | 2,685            | -                            | -                      | -                 | -                 | -                 |
| Total Operating Revenue  |  | 91,603           | 128,982                      | 176,574                | 157,700           | 165,750           | 170,750           |
| <b>Operating Expenses:</b>   |  |                  |                              |                        |                   |                   |                   |
| Personal Services  |  | 49,294           | 76,621                       | 83,896                 | 58,291            | 77,367            | 77,456            |
| Other Operating Expenses   |  | 39,864           | 74,866                       | 73,509                 | 42,549            | 83,756            | 83,857            |
| Total Operating Expenses   |  | 89,158           | 151,487                      | 157,405                | 100,840           | 161,123           | 161,313           |
| Operating Income (Loss)  |  | 2,445            | (22,505)                     | 19,169                 | 56,860            | 4,627             | 9,437             |
| <b>Nonoperating Revenues (Expenses):</b>   |  |                  |                              |                        |                   |                   |                   |
| Gain (Loss) Sale of Fixed Assets   |  | -                | -                            | -                      | -                 | -                 | -                 |
| Federal Indirect Cost Recoveries   |  | -                | -                            | -                      | -                 | -                 | -                 |
| Other Nonoperating Revenues (Expenses)   |  | -                | -                            | -                      | -                 | -                 | -                 |
| Net Nonoperating Revenues (Expenses)   |  | -                | -                            | -                      | -                 | -                 | -                 |
| Income (Loss) Before Operating Transfers   |  | 2,445            | (22,505)                     | 19,169                 | 56,860            | 4,627             | 9,437             |
| Contributed Capital  |  | -                | -                            | -                      | -                 | -                 | -                 |
| Operating Transfers In (Note 13)   |  | -                | -                            | -                      | -                 | -                 | -                 |
| Operating Transfers Out (Note 13)  |  | -                | -                            | -                      | -                 | -                 | -                 |
| Change in net assets   |  | 2,445            | (22,505)                     | 19,169                 | 56,860            | 4,627             | 9,437             |
| Total Net Assets- July 1 - As Restated   |  | 36,031           | 38,476                       | 15,971                 | 35,140            | 92,000            | 96,627            |
| Prior Period Adjustments   |  | -                | -                            | -                      | -                 | -                 | -                 |
| Cumulative effect of account change  |  | -                | -                            | -                      | -                 | -                 | -                 |
| Total Net Assets - July 1 - As Restated  |  | 36,031           | 38,476                       | 15,971                 | 35,140            | 92,000            | 96,627            |
| Net Assets- June 30  |  | 38,476           | 15,971                       | 35,140                 | 92,000            | 96,627            | 106,064           |
| 60 days of expenses  |  |                  |                              |                        |                   |                   |                   |
| (Total Operating Expenses divided by 6)  |  | 14,860           | 25,248                       | 26,234                 | 16,807            | 26,854            | 26,886            |
| <b>Fee/Rate Information</b>  |  |                  |                              |                        |                   |                   |                   |
|  |  | Actual<br>FYE 04 | Actual<br>FYE 05             | Actual<br>FYE 06       | Budgeted<br>FY 07 | Budgeted<br>FY 08 | Budgeted<br>FY 09 |
| Fee Group A  | Rate 1 (per unit) Full-Day Workshop                            | 225              | 225-235                      | 235-250                | 250               | 250-295           | 250-295           |
|  | Rate 2 (per unit) Half-Day Workshop                            | 135              | 135-140                      | 140-150                | 150               | 150-175           | 150-175           |
|  | Rate 3 (per unit)  |                  |                              |                        |                   |                   |                   |
| Fee Group B  | Rate 4 (per unit) Daily Track Rental - Gov.                    | 100              | 125                          | 150                    | 150-200           | 150-200           | 150-200           |
|  | Rate 5 (per unit) Daily/Yearly High Schools                    | 30/550           | 30/550                       | 35/575                 | 35/575            | 40/600            | 40/600            |
|  | Rate 6 (per unit) Daily Track Rental Non-Profit                | 225              | 225-300                      | 300-330                | 330-350           | 330-400           | 330-400           |
|  | Rate 7 (per unit) Daily Private for Profit                     | 1750-2250        | 1750-2250                    | 1750-2500              | 1750-2500         | 2000-2750         | 2000-2750         |
| Fee Group C  | Rate 8 (per unit) Periodic/Extended Non-Exclusive - Gov        | N/A              | Negotiated                   | Negotiated             | Negotiated        | Negotiated        | Negotiated        |
|  | Rate 9 (per unit) Periodic/Extended Non-Exclusive - Non-Profit | N/A              | N/A                          | N/A                    | Negotiated        | Negotiated        | Negotiated        |
| Fee Group D  | Rate 10 (per unit) Custom Full-Day Workshop                    | N/A              | Negotiated                   | Negotiated             | Negotated         | Negotiated        | Negotiated        |
|  | Rate 11 (per unit) Custom, Other training configurations       | N/A              | Negotiated                   | Negotiated             | Negotated         | Negotiated        | Negotiated        |
| <b>Group A</b> represents the workshops the Office of Public Instruction offers for driver improvement and advanced driver education. It is typically a one-day workshop or a half-day refresher course. It involves a driving track, four to five instructors, and 10-12 vehicles.  |  |                  |                              |                        |                   |                   |                   |
| <b>Group B</b> are the fees other users of the tract pay for exclusive use of the track. The OPI serves as a lead agency to schedule the driving tract for other users and to arrange for care of the facility. Rate 5 for High Schools involves use of the track after hours or on dates not scheduled for other uses.  |  |                  |                              |                        |                   |                   |                   |
| <b>Group C</b> are fees charged to groups that use the track on a non-exclusive basis that involves periodic or extended use, such as research projects that can accommodate other users, or are confined to dates that are not typically used. A fee that fairly represents the loss of track time from other uses, accounts for value added benefits to the program/facility, and takes into account wear and tear on facility will be negotiated. |  |                  |                              |                        |                   |                   |                   |
| <b>Fiscal cycle note:</b> Revenues and budgeting need to provide resources that can be carried over to cover costs incurred by the program in low/non-revenue months (September – March), and to accrue funds across fiscal years for replacement of vet   |  |                  |                              |                        |                   |                   |                   |
| Increased rates in all areas represent increasing costs and major improvements to the track fall of 2004.  |  |                  |                              |                        |                   |                   |                   |

## Proprietary Rate Explanation

OPI negotiates a three year "predetermined rate" with the U.S. Department of Education every year. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The proposed rate for fiscal years 2008 through 2010 is 19.14 percent.

### Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

| Program Proposed Budget |                               |                                      |                                 |                                      |                                      |                                 |                                      |                                       |
|-------------------------|-------------------------------|--------------------------------------|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------------|
| Budget Item             | Base<br>Budget<br>Fiscal 2006 | PL Base<br>Adjustment<br>Fiscal 2008 | New<br>Proposals<br>Fiscal 2008 | Total<br>Exec. Budget<br>Fiscal 2008 | PL Base<br>Adjustment<br>Fiscal 2009 | New<br>Proposals<br>Fiscal 2009 | Total<br>Exec. Budget<br>Fiscal 2009 | Total<br>Exec. Budget<br>Fiscal 08-09 |
| FTE                     | 0.00                          | 0.00                                 | 0.00                            | 0.00                                 | 0.00                                 | 0.00                            | 0.00                                 | 0.00                                  |
| Operating Expenses      | 967                           | 1,032                                | 0                               | 1,999                                | 1,032                                | 0                               | 1,999                                | 3,998                                 |
| Local Assistance        | 526,501,322                   | 71,558,970                           | 27,003,438                      | 625,063,730                          | 82,794,761                           | 30,436,405                      | 639,732,488                          | 1,264,796,218                         |
| Grants                  | 133,713,635                   | 6,094,609                            | 250,000                         | 140,058,244                          | 11,958,267                           | 250,000                         | 145,921,902                          | 285,980,146                           |
| Transfers               | 0                             | 0                                    | 0                               | 0                                    | 0                                    | 0                               | 0                                    | 0                                     |
| <b>Total Costs</b>      | <b>\$660,215,924</b>          | <b>\$77,654,611</b>                  | <b>\$27,253,438</b>             | <b>\$765,123,973</b>                 | <b>\$94,754,060</b>                  | <b>\$30,686,405</b>             | <b>\$785,656,389</b>                 | <b>\$1,550,780,362</b>                |
| General Fund            | 526,502,093                   | 71,333,199                           | 27,253,438                      | 625,088,730                          | 82,568,990                           | 30,686,405                      | 639,757,488                          | 1,264,846,218                         |
| State/Other Special     | 750,000                       | 0                                    | 0                               | 750,000                              | 0                                    | 0                               | 750,000                              | 1,500,000                             |
| Federal Special         | 132,963,831                   | 6,321,412                            | 0                               | 139,285,243                          | 12,185,070                           | 0                               | 145,148,901                          | 284,434,144                           |
| <b>Total Funds</b>      | <b>\$660,215,924</b>          | <b>\$77,654,611</b>                  | <b>\$27,253,438</b>             | <b>\$765,123,973</b>                 | <b>\$94,754,060</b>                  | <b>\$30,686,405</b>             | <b>\$785,656,389</b>                 | <b>\$1,550,780,362</b>                |

### Program Description

The Local Education Activities program is used by OPI to distribute various state and federal funds to local education agencies.

### Program Highlights

| <b>Department of Office of Public Instruction</b><br><b>Local Education Activities Program</b><br><b>Major Budget Highlights</b>  |  |
|---|--|
| <ul style="list-style-type: none"> <li>◆ OPI's budget for distribution to schools would increase \$230.3 million during the 2009 biennium when compared with base FY 2006 expenditures. Of this amount, \$211.8 million is an increase in state general fund and \$18.5 million is in federal funds.</li> <li>◆</li> <li>◆ In the general fund, the executive proposes to: <ul style="list-style-type: none"> <li>• Increase present law BASE aid by \$149.0 million. This is made up of several pieces: <ul style="list-style-type: none"> <li>○ Enrollment decline and inflation adjustments account for \$40.0 million of the change. The changes in present law BASE aid assume that enrollment will decline by 0.7 percent in each year, and that entitlements will increase by the rate of inflation. Inflation is measured by the three year average change in the Consumer Price Index, and is 2.76 percent for FY 2008 and 2.97 percent for FY 2009.</li> <li>○ Lower interest and income (I&amp;I) from state lands accounts for an additional \$36.8 million of the increase in present law BASE aid. When I&amp;I for BASE aid declines, general fund increases dollar for dollar.</li> <li>○ Special session action accounts for an additional \$71.8 million of the present law BASE aid change. The December 2005 special session added around \$35.9 million by adding 4 new components to BASE aid in FY 2007.</li> <li>○ Higher GTB costs of \$0.3 million for higher present law special education allowable costs.</li> </ul> </li> </ul> </li> </ul> |  |

- ◆ Increase present law categorical components of school aid by \$4.8 million, consisting of:
  - Special Education, \$1.7 million to bring special education aid to its FY 2007 level
  - Transportation aid, \$0.7 million, because of expected increases in miles claimed and legislation increasing individual contract rates
  - In-state treatment aid, \$0.2 million because not all of the appropriation for base year FY 2006 was spent
  - HB 124 Block Grants, \$1.9 million to reflect the statutory growth rate of this aid at 0.76 percent per year
  - State Tuition Payments, \$0.7 million, to reflect that OPI now must distribute tuition to schools directly, as per HB 83 (2005 session)
  - Removal of Indian Education for All (IEFA), -\$0.5 million. OPI spent \$293,000 for IEFA in FY 2006. Since IEFA was one of the 4 new components created in the 2005 special session, the spending in the base year was removed
  - Assorted smaller categorical spending, \$0.1 million
- ◆ Add new proposals in the amount of \$58.0 million, consisting of:
  - Full-Time Kindergarten, \$25.2 million;
  - Create a new Basic entitlement for middle school at \$55,500 per district, \$-0.1 million;
  - Increase the per-educator component of BASE aid from \$2,000 to \$2,790, for a total of \$19.8 million;
  - Require state and local taxpayers to fund retirement costs of federally paid school staff, \$6.5 million;
  - Increase special education by inflation, \$3.8 million;
  - Increase school facility aid, \$2.2 million to reflect new bonds passed by the Browning school district and expected bond issues in other districts;
  - Increase adult basic education by \$0.5 million
- ◆ The executive proposes to increase present law federal aid by \$18.5 million primarily due to increases in school foods, Title 1, Title 2, and special education.

### **Major LFD Issues**

- ◆ Present Law Adjustment Issues:
  - Actual three-year average inflation calculated for FY 2009 is 3.43 percent. The law says that the inflation adjustment can be no more than 3 percent, but this is still above the actual inflation factor, 2.97, used for FY 2009 ( See the issue for DP 03)
  - The executive assumes that \$36.9 million in reduced I&I income from state lands in the guarantee account will require an identical amount in increased general fund aid to schools. The Revenue and Transportation Interim Committee in November determined that I&I revenue available for base aid will be \$8.3 million more than was available in the base year FY 2006. (See DP 36)
  - The adjustment for the actions of the 2005 special session, in which the legislature created 4 new components and added \$35.9 million to BASE aid, is not adjusted for inflation. (See DP 37)
- ◆ General fund new proposal issues:
  - Full-Time Kindergarten will require more teachers or more time by

current teachers. If full-time kindergarten results in the hiring of more teachers, the per educator component of BASE aid will increase. (See DP 01)

- The estimate of the cost for full-time kindergarten is highly uncertain, and assumes that in FY 2008, 80 percent of districts will participate and 90 percent in FY 2009.
  - The proposal to create a new middle school basic entitlement is combined with the proposal to increase the per educator component of BASE aid. (See DP 39) These should be decided separately.
  - The proposal to require the state and counties to pay for the retirement costs of school employees paid with federal money (reversing the practice of requiring federal money to be used to pay retirement costs, passed during the 2003 session) will cause county property taxes to increase approximately \$8 - \$9 million per year.
- ◆ Tax Policy Issues:
- Although not addressed in section E of the Governor's proposal, the executive has proposed to exempt up to \$150,000 in class 8 business equipment. There is no appropriation in the budget to reimburse school districts. If there is no reimbursement, districts will increase mills to mitigate the loss of property tax base. As a result, other classes of property will bear the burden of the executive's tax policy. Approximately \$5 million per year in school district taxes will be shifted to other taxpayers.
  - Full-time kindergarten will increase district property taxes by around \$3.5 million during the biennium.

## Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the Governor.

| Program Funding Table               |                      |                      |                       |                        |                       |                        |
|-------------------------------------|----------------------|----------------------|-----------------------|------------------------|-----------------------|------------------------|
| Local Education Activities          |                      |                      |                       |                        |                       |                        |
| Program Funding                     | Base<br>FY 2006      | % of Base<br>FY 2006 | Budget<br>FY 2008     | % of Budget<br>FY 2008 | Budget<br>FY 2009     | % of Budget<br>FY 2009 |
| 01000 Total General Fund            | \$526,502,093        | 79.7%                | \$ 625,088,730        | 81.7%                  | \$ 639,757,488        | 81.4%                  |
| 01100 General Fund                  | 526,502,093          | 79.7%                | 625,088,730           | 81.7%                  | 639,757,488           | 81.4%                  |
| 02000 Total State Special Funds     | 750,000              | 0.1%                 | 750,000               | 0.1%                   | 750,000               | 0.1%                   |
| 02402 Traffic & Safety Education    | 750,000              | 0.1%                 | 750,000               | 0.1%                   | 750,000               | 0.1%                   |
| 03000 Total Federal Special Funds   | 132,963,831          | 20.1%                | 139,285,243           | 18.2%                  | 145,148,901           | 18.5%                  |
| 03170 Grant Clearance Discretionary | 132,963,831          | 20.1%                | 139,285,243           | 18.2%                  | 145,148,901           | 18.5%                  |
| Grand Total                         | <u>\$660,215,924</u> | <u>100.0%</u>        | <u>\$ 765,123,973</u> | <u>100.0%</u>          | <u>\$ 785,656,389</u> | <u>100.0%</u>          |



| Distribution to Schools, General Fund, State Special, and Federal Funds |                        |                                       |                                 |                      |                                       |                                 |                      |
|---|------------------------|---------------------------------------|---------------------------------|----------------------|---------------------------------------|---------------------------------|----------------------|
| Description   | Base<br>Budget<br>2006 | PL Base<br>Adjustments<br>Fiscal 2008 | New<br>Proposals<br>Fiscal 2008 | Total<br>Fiscal 2008 | PL Base<br>Adjustments<br>Fiscal 2009 | New<br>Proposals<br>Fiscal 2009 | Total<br>Fiscal 2009 |
| <b>General Fund</b>   |                        |                                       |                                 |                      |                                       |                                 |                      |
| Base Aid  |                        |                                       |                                 |                      |                                       |                                 |                      |
| Direct State Aid  | \$281,180,149          | \$25,151,875                          | \$0                             | \$306,332,024        | \$31,834,449                          | \$0                             | \$313,014,598        |
| GTB - School General Fund   | 109,475,518            | 3,979,440                             | 146,140                         | 113,601,098          | 6,456,074                             | 303,804                         | 116,235,396          |
| GTB - School Retirement   | 22,186,712             | 4,054,951                             | 3,172,623                       | 29,414,286           | 5,681,870                             | 3,277,840                       | 31,146,422           |
| Indian Ed Ongoing   | 0                      | 2,952,390                             | 0                               | 2,952,390            | 2,921,111                             | 0                               | 2,921,111            |
| Close Achievement Gap   | 0                      | 3,266,200                             | 0                               | 3,266,200            | 3,254,400                             | 0                               | 3,254,400            |
| Per Educator  | 0                      | 24,715,598                            | 9,780,918                       | 34,496,516           | 24,715,598                            | 10,021,405                      | 34,737,003           |
| At Risk   | 0                      | 5,000,000                             | 0                               | 5,000,000            | 5,000,000                             | 0                               | 5,000,000            |
| Full-Time Kindergarten  | 0                      | 0                                     | 11,720,000                      | 11,720,000           | 0                                     | 13,448,700                      | 13,448,700           |
| Special Education   | 38,488,071             | 860,218                               | 1,086,013                       | 40,434,302           | 860,218                               | 2,286,912                       | 41,635,201           |
| Transportation  | 12,142,550             | 330,000                               | 0                               | 12,472,550           | 430,000                               | 0                               | 12,572,550           |
| School Facility Reimbursement   | 9,411,293              | 0                                     | 1,097,744                       | 10,509,037           | 0                                     | 1,097,744                       | 10,509,037           |
| Instate Treatment   | 858,038                | 116,857                               | 0                               | 974,895              | 116,857                               | 0                               | 974,895              |
| Secondary Vo Ed   | 1,000,000              | 0                                     | 0                               | 1,000,000            | 0                                     | 0                               | 1,000,000            |
| Adult Basic Ed  | 274,997                | 3                                     | 250,000                         | 525,000              | 3                                     | 250,000                         | 525,000              |
| Gifted & Talented   | 235,821                | 14,179                                | 0                               | 250,000              | 14,179                                | 0                               | 250,000              |
| School Food   | 648,655                | 0                                     | 0                               | 648,655              | 0                                     | 0                               | 648,655              |
| School District Audits  | 147,150                | 29,300                                | 0                               | 176,450              | 34,600                                | 0                               | 181,750              |
| HB 124 Block Grants   | 50,213,185             | 766,141                               | 0                               | 50,979,326           | 1,153,584                             | 0                               | 51,366,769           |
| State Tuition Payments  | 0                      | 336,000                               | 0                               | 336,000              | 336,000                               | 0                               | 336,000              |
| Indian Education For All  | 239,953                | (239,953)                             | 0                               | 0                    | (239,953)                             | 0                               | 0                    |
| Total General Fund  | \$526,502,093          | \$71,333,199                          | \$27,253,438                    | \$625,088,730        | \$82,568,990                          | \$30,686,405                    | \$639,757,488        |
| <b>State Special Revenue</b>  |                        |                                       |                                 |                      |                                       |                                 |                      |
| Traffic Safety Distribution   | 750,000                | 0                                     | 0                               | 750,000              | 0                                     | 0                               | 750,000              |
| Total State Special   | \$750,000              | \$0                                   | \$0                             | \$750,000            | \$0                                   | \$0                             | \$750,000            |
| <b>Federal Special Revenue</b>  |                        |                                       |                                 |                      |                                       |                                 |                      |
| Federal School Foods Programs   | \$22,164,929           | \$1,108,247                           | \$0                             | \$23,273,176         | \$2,271,905                           | \$0                             | \$24,436,834         |
| ESEA - Title I - Assistance to Disadvantaged                            | 41,869,959             | 2,100,210                             | 0                               | 43,970,169           | 4,100,210                             | 0                               | 45,970,169           |
| ESEA Title II - Teacher & Principal Training                            | 17,309,684             | 582,881                               | 0                               | 17,892,565           | 1,082,881                             | 0                               | 18,392,565           |
| ESEA Title III-Language Acquisition                                     | 561,232                | 0                                     | 0                               | 561,232              | 0                                     | 0                               | 561,232              |
| ESEA Title IV Drug Free & 21 st Cent Schools                            | 6,366,474              | 119,418                               | 0                               | 6,485,892            | 119,418                               | 0                               | 6,485,892            |
| ESEA Title V & VI - Innovative Ed & Rural                               | 939,618                | 0                                     | 0                               | 939,618              | 0                                     | 0                               | 939,618              |
| ESEA Title X - Ed of Homeless Children                                  | 104,736                | 0                                     | 0                               | 104,736              | 0                                     | 0                               | 104,736              |
| IDEA  | 32,361,825             | 2,969,254                             | 0                               | 35,331,079           | 5,019,254                             | 0                               | 37,381,079           |
| Adult Basic Education   | 1,212,269              | 0                                     | 0                               | 1,212,269            | 0                                     | 0                               | 1,212,269            |
| Carl Perkins  | 2,961,327              | 0                                     | 0                               | 2,961,327            | 0                                     | 0                               | 2,961,327            |
| Learn and Serve Montana   | 39,721                 | 0                                     | 0                               | 39,721               | 0                                     | 0                               | 39,721               |
| Reading First   | 4,512,465              | 237,534                               | 0                               | 4,749,999            | 387,534                               | 0                               | 4,899,999            |
| Advanced Placement Fee Reimbursement                                    | 200,426                | 0                                     | 0                               | 200,426              | 0                                     | 0                               | 200,426              |
| Bilingual Education   | 2,500                  | 0                                     | 0                               | 2,500                | 0                                     | 0                               | 2,500                |
| Character Education   | 521,924                | 0                                     | 0                               | 521,924              | 0                                     | 0                               | 521,924              |
| Christa McAuliffe   | 25,000                 | 0                                     | 0                               | 25,000               | 0                                     | 0                               | 25,000               |
| Comprehensive School Reform   | 796,132                | (796,132)                             | 0                               | 0                    | (796,132)                             | 0                               | 0                    |
| Foreign Language Assistance   | 64,314                 | 0                                     | 0                               | 64,314               | 0                                     | 0                               | 64,314               |
| Hurricane Katrina   | 60,750                 | 0                                     | 0                               | 60,750               | 0                                     | 0                               | 60,750               |
| Migrant Incentive   | 273,876                | 0                                     | 0                               | 273,876              | 0                                     | 0                               | 273,876              |
| Rural and Low Income Schools  | 369,450                | 0                                     | 0                               | 369,450              | 0                                     | 0                               | 369,450              |
| State Tuition Payments  | 0                      | 0                                     | 0                               | 0                    | 0                                     | 0                               | 0                    |
| Workforce Investment  | 4,399                  | 0                                     | 0                               | 4,399                | 0                                     | 0                               | 4,399                |
| Homeland Security   | 240,821                | 0                                     | 0                               | 240,821              | 0                                     | 0                               | 240,821              |
| Total Federal Special   | \$132,963,831          | \$6,321,412                           | \$0                             | \$139,285,243        | \$12,185,070                          | \$0                             | \$145,148,901        |
| <b>Funding</b>  |                        |                                       |                                 |                      |                                       |                                 |                      |
| Total General Fund  | \$526,502,093          | \$71,333,199                          | \$27,253,438                    | \$625,088,730        | \$82,568,990                          | \$30,686,405                    | \$639,757,488        |
| Total State Special   | 750,000                | 0                                     | 0                               | 750,000              | 0                                     | 0                               | 750,000              |
| Total Federal Special   | 132,963,831            | 6,321,412                             | 0                               | 139,285,243          | 12,185,070                            | 0                               | 145,148,901          |
| Total Distribution to Public Schools                                    | \$660,215,924          | \$77,654,611                          | \$27,253,438                    | \$765,123,973        | \$94,754,060                          | \$30,686,405                    | \$785,656,389        |
| <b>Statutory Appropriations</b>   |                        |                                       |                                 |                      |                                       |                                 |                      |
| Guarantee Account - Interest & Income                                   | \$66,684,383           | (\$18,299,383)                        | \$0                             | \$48,385,000         | (\$18,472,383)                        | \$0                             | \$48,212,000         |
| Guarantee Account -Timber   | 4,891,695              | (2,366,695)                           | 0                               | 2,525,000            | (2,164,695)                           | 0                               | 2,727,000            |
| Total Statutory   | \$71,576,078           | (\$20,666,078)                        | \$0                             | \$50,910,000         | (\$20,637,078)                        | \$0                             | \$50,939,000         |
| HJR 2 Guarantee Account - Base Aid                                      | \$66,684,383           | \$889,948                             | \$0                             | \$67,574,331         | \$7,383,727                           | \$0                             | \$74,068,110         |
| HJR 2 Timber for Tots   |                        |                                       |                                 |                      |                                       |                                 |                      |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments                              |             |                     |               |                    |                     |                       |                     |               |                     |                     |
|--|-------------|---------------------|---------------|--------------------|---------------------|-----------------------|---------------------|---------------|---------------------|---------------------|
| -----Fiscal 2008-----                                |             |                     |               |                    |                     | -----Fiscal 2009----- |                     |               |                     |                     |
|  | FTE         | General Fund        | State Special | Federal Special    | Total Funds         | FTE                   | General Fund        | State Special | Federal Special     | Total Funds         |
| DP 3 - K-12 BASE Aid                                 | 0.00        | 14,737,109          | 0             | 0                  | 14,737,109          | 0.00                  | 25,339,728          | 0             | 0                   | 25,339,728          |
| DP 24 - Pupil Transportation Appropriation           | 0.00        | 330,000             | 0             | 0                  | 330,000             | 0.00                  | 430,000             | 0             | 0                   | 430,000             |
| DP 25 - School Block Grants - HB 124                 | 0.00        | 766,141             | 0             | 0                  | 766,141             | 0.00                  | 1,153,584           | 0             | 0                   | 1,153,584           |
| DP 26 - State Tuition Payments                       | 0.00        | 336,000             | 0             | 0                  | 336,000             | 0.00                  | 336,000             | 0             | 0                   | 336,000             |
| DP 27 - School District Audit Filing Fee Increase    | 0.00        | 29,300              | 0             | 0                  | 29,300              | 0.00                  | 34,600              | 0             | 0                   | 34,600              |
| DP 28 - Special Education Increase to FY 2007 Level  | 0.00        | 1,009,992           | 0             | 0                  | 1,009,992           | 0.00                  | 1,020,500           | 0             | 0                   | 1,020,500           |
| DP 29 - Biennial Appropriations                      | 0.00        | 131,039             | 0             | 0                  | 131,039             | 0.00                  | 131,039             | 0             | 0                   | 131,039             |
| DP 32 - Federal Grant Award Adjustment -             | 0.00        | 0                   | 0             | 6,321,412          | 6,321,412           | 0.00                  | 0                   | 0             | 12,185,070          | 12,185,070          |
| DP 36 - Replace Guarantee Account -Interest & Income | 0.00        | 18,299,383          | 0             | 0                  | 18,299,383          | 0.00                  | 18,472,383          | 0             | 0                   | 18,472,383          |
| DP 37 - 2005 Special Session Funding                 | 0.00        | 35,934,188          | 0             | 0                  | 35,934,188          | 0.00                  | 35,891,109          | 0             | 0                   | 35,891,109          |
| DP 38 - Indian Education For All-Biennial            | 0.00        | (239,953)           | 0             | 0                  | (239,953)           | 0.00                  | (239,953)           | 0             | 0                   | (239,953)           |
| <b>Total Other Present Law Adjustments</b>           | <b>0.00</b> | <b>\$71,333,199</b> | <b>\$0</b>    | <b>\$6,321,412</b> | <b>\$77,654,611</b> | <b>0.00</b>           | <b>\$82,568,990</b> | <b>\$0</b>    | <b>\$12,185,070</b> | <b>\$94,754,060</b> |
| <b>Grand Total All Present Law Adjustments</b>       |             |                     |               |                    | <b>\$77,654,611</b> |                       |                     |               |                     | <b>\$94,754,060</b> |

The table below provides a summary of all the decision packages recommended by the executive.

| Executive Proposals for K-12 Distribution to Schools - 2009 Biennium |  |                      |                      |                      |
|--|--|----------------------|----------------------|----------------------|
| By Fund and Decision Package Number                                  |  |                      |                      |                      |
| Present Law Adjustments  |  | Fiscal 2008          | Fiscal 2009          | Biennium             |
| Decision Package   | General Fund   |                      |                      |                      |
|  | Base Aid Changes   |                      |                      |                      |
| DP03   | Net Enrollment Decline and Inflation Adjustment (2.76% - FY08; 2.97% FY09)       | \$14,737,109         | \$25,339,728         | \$40,076,837         |
| DP27   | School District Audit Filing Fee Increase  | 29,300               | 34,600               | 63,900               |
| DP28   | Special Education Increase to FY2007 for Maintenance of Effort                   | 149,774              | 160,282              | 310,056              |
| DP36   | Adjustment for Lower Common School Revenue                                       | 18,299,383           | 18,472,383           | 36,771,766           |
| DP37   | Adjust for 2005 Special Session Funding  | 35,934,188           | 35,891,109           | 71,825,297           |
|  | Total Base Aid Changes   | <u>\$69,149,754</u>  | <u>\$79,898,102</u>  | <u>\$149,047,856</u> |
| DP24   | Transportation   | \$330,000            | \$430,000            | \$760,000            |
| DP25   | County and District HB 124 Block Grants - 0.76 percent per year                  | 766,141              | 1,153,584            | 1,919,725            |
| DP26   | State Tuition Payments (HB 83 - 2005 session)                                    | 336,000              | 336,000              | 672,000              |
| DP28   | Special Education  | 860,218              | 860,218              | 1,720,436            |
| DP29   | Other Biennial   | 131,039              | 131,039              | 262,078              |
| DP38   | Remove Indian Ed For All (Replaced by Special Session IEFA)                      | (239,953)            | (239,953)            | (479,906)            |
|  | Total General Fund   | <u>\$71,333,199</u>  | <u>\$82,568,990</u>  | <u>\$153,902,189</u> |
| DP32   | Federal Increases  | \$6,321,412          | \$12,185,070         | \$18,506,482         |
|  | Total Federal  | <u>\$6,321,412</u>   | <u>\$12,185,070</u>  | <u>\$18,506,482</u>  |
|  | Total Present Law Adjustments  | <u>\$77,654,611</u>  | <u>\$94,754,060</u>  | <u>\$172,408,671</u> |
| New Proposals  |  | Fiscal 2006          | Fiscal 2007          | Biennium             |
|  | General Fund   |                      |                      |                      |
|  | Base Aid Changes   |                      |                      |                      |
| DP01   | Full Time Kindergarten   | \$11,720,000         | \$13,448,700         | \$25,168,700         |
| DP02   | Require State and Local Payment for Federal Retirees                             | 3,172,623            | 3,277,840            | 6,450,463            |
| DP07   | Base Aid Increase Due to Increasing Special Ed by Inflation                      | 146,140              | 303,804              | 449,944              |
| DP39   | Increase Quality Educator Payment from \$2,000 to \$2,790                        | 9,915,743            | 10,002,201           | 19,917,944           |
| DP39   | Create New Middle School Basic Entitlement at \$55,500                           | (134,825)            | 19,204               | (115,621)            |
|  | Total Base Aid Changes   | <u>\$24,819,681</u>  | <u>\$27,051,749</u>  | <u>\$51,871,430</u>  |
| DP07   | Increase Special Ed by Inflation   | \$1,086,013          | \$2,286,912          | \$3,372,925          |
| DP13   | Increase Adult Basic Education Payment   | 250,000              | 250,000              | 500,000              |
| DP23   | Increase School Facility Payment   | <u>1,097,744</u>     | <u>1,097,744</u>     | <u>2,195,488</u>     |
|  | Total Other Changes in Distribution to Schools                                   | <u>\$2,433,757</u>   | <u>\$3,634,656</u>   | <u>\$6,068,413</u>   |
|  | Total General Fund - New Proposals   | <u>\$27,253,438</u>  | <u>\$30,686,405</u>  | <u>\$57,939,843</u>  |
|  | Net Change General Fund Over FY06 Base (Present Law + New Proposals)             | <u>\$98,586,637</u>  | <u>\$113,255,395</u> | <u>\$211,842,032</u> |
|  | Net Change All Funds Over FY06 Base  | <u>\$104,908,049</u> | <u>\$125,440,465</u> | <u>\$230,348,514</u> |
|  | State Spending in the 2006 general fund base budget                              |                      |                      | \$526,502,093        |
|  | BASE Aid paid for out of the Guarantee Fund (Interest and Income on State Lands) |                      |                      | 71,576,078           |
|  | Total State Spending on K-12 - FY2006  |                      |                      | <u>\$598,078,171</u> |

**DP 3 - K-12 BASE Aid** - This request is for funding for the K-12 BASE Aid Present Law Adjustment as defined by Section 20-9-326, MCA and adjusted for available guarantee fund revenue. It includes inflation on the basic and per-ANB entitlements and adjustments for changes in enrollment. The inflator for FY 2008 (calculated using CPI-Urban indexes for July 2002 and July 2005) is 2.76 percent. The inflator for FY 2009 (calculated using CPI-Urban indexes for July 2003 and July 2006) is 2.97 percent. ANB (number of students) are anticipated to decline 0.7 percent in FY 2008 and 0.7 percent in FY 2009. The resulting increases in state aid to district base budgets are \$14.7 million in FY 2008 and \$25.3 million in FY 2009.

**LFD  
ISSUE****Actual Inflation Higher Than Included in Executive Budget**

State law requires that the basic entitlement and the per ANB entitlement must be adjusted by the three year average change in the Consumer Price Index, or by three percent, whichever is smaller. The three year average is the cube root of the ratio of the July CPI of the current year to the July CPI of the year three years back. The growth in inflation for FY 2009 is actually 3.43 percent, but since the rate of change is capped at 3 percent, this is the change that should have been applied to FY 2009 entitlements. At 3 percent instead of 2.97 percent for FY 2009, state costs increase over the biennium by \$157,000. At 3.43 percent, state costs would have increased by \$2.5 million in FY 2009.

**LFD  
COMMENT**

The following figure shows historical and expected ANB. ANB is expected to decline by 0.7 percent per year in FY 2008 and FY 2009. Also shown is the addition to ANB if the Full-time kindergarten proposal is passed. The ANB shown are current year ANB. Districts have a choice when budgeting of choosing the higher of current year ANB or a three average of ANB.

| Average Number Belonging (ANB) in Montana Schools |             |            |                   |             |                   |         |                   |
|---|-------------|------------|-------------------|-------------|-------------------|---------|-------------------|
|   | Fiscal Year | Elementary | Percent<br>Change | High School | Percent<br>Change | Total   | Percent<br>Change |
| A   | 1996        | 114,734    |                   | 49,045      |                   | 163,779 |                   |
| A   | 1997        | 114,160    | -0.5%             | 50,582      | 3.1%              | 164,742 | 0.6%              |
| A   | 1998        | 112,449    | -1.5%             | 51,432      | 1.7%              | 163,881 | -0.5%             |
| A   | 1999        | 109,852    | -2.3%             | 51,885      | 0.9%              | 161,737 | -1.3%             |
| A   | 2000        | 107,724    | -1.9%             | 52,022      | 0.3%              | 159,746 | -1.2%             |
| A   | 2001        | 106,014    | -1.6%             | 51,524      | -1.0%             | 157,538 | -1.4%             |
| A   | 2002        | 103,633    | -2.2%             | 50,794      | -1.4%             | 154,427 | -2.0%             |
| A   | 2003        | 101,145    | -2.4%             | 50,365      | -0.8%             | 151,510 | -1.9%             |
| A   | 2004        | 99,469     | -1.7%             | 49,999      | -0.7%             | 149,468 | -1.3%             |
| A   | 2005        | 98,186     | -1.3%             | 49,422      | -1.2%             | 147,608 | -1.2%             |
| A   | 2006        | 96,525     | -1.7%             | 49,302      | -0.2%             | 145,827 | -1.2%             |
| A   | 2007        | 95,444     | -1.1%             | 48,810      | -1.0%             | 144,254 | -1.1%             |
| E   | 2008        | 94,512     | -1.0%             | 48,776      | -0.1%             | 143,288 | -0.7%             |
| E   | 2009        | 94,235     | -0.3%             | 48,029      | -1.5%             | 142,264 | -0.7%             |
| W/ Full Time<br>Kindergarten                      | 2008        | 100,063    | 4.8%              | 48,776      | -0.1%             | 148,839 | 3.2%              |
|   | 2009        | 99,843     | -0.2%             | 48,029      | -1.5%             | 147,872 | -0.6%             |

Beginning in fiscal 1995, ANB Includes students who spend more than 1/2 day in special education class.

**LFD  
COMMENT**

The following table shows historical and present law levels of the most important variables in the school funding formula.

| Component                           | School District Entitlements |                  |                  |                  |                  |                  |                  |               |               |
|-------------------------------------|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------|---------------|
|                                     | FY2001<br>Actual             | FY2002<br>Actual | FY2003<br>Actual | FY2004<br>Actual | FY2005<br>Actual | FY2006<br>Actual | FY2007<br>Actual | FY2008<br>Gov | FY2009<br>Gov |
| Bill Authorizing Entitlement Change | SB100/<br>HB4                | HB121            | HB121            | SB424            | SB424            | HB63             | HB63             | Inflation     | Inflation     |
| Basic (Per District) Entitlements   |                              |                  |                  |                  |                  |                  |                  |               |               |
| Elementary                          | \$18,540                     | \$18,889         | \$19,244         | \$19,456         | \$19,859         | \$20,275         | \$20,718         | \$21,290      | \$21,922      |
| Percent Change                      | 3.0%                         | 1.9%             | 1.9%             | 1.1%             | 2.1%             | 2.1%             | 2.2%             | 2.8%          | 3.0%          |
| High School                         | \$206,000                    | \$209,873        | \$213,819        | \$216,171        | \$220,646        | \$225,273        | \$230,199        | \$236,552     | \$243,578     |
| Percent Change                      | 3.0%                         | 1.9%             | 1.9%             | 1.1%             | 2.1%             | 2.1%             | 2.2%             | 2.8%          | 3.0%          |
| Per ANB Entitlements                |                              |                  |                  |                  |                  |                  |                  |               |               |
| Elementary                          | \$3,763                      | \$3,834          | \$3,906          | \$3,949          | \$4,031          | \$4,366          | \$4,456          | \$4,579       | \$4,715       |
| Percent Change                      | 6.6%                         | 1.9%             | 1.9%             | 1.1%             | 2.1%             | 8.3%             | 2.1%             | 2.8%          | 3.0%          |
| High School                         | \$5,015                      | \$5,109          | \$5,205          | \$5,262          | \$5,371          | \$5,584          | \$5,704          | \$5,861       | \$6,035       |
| Percent Change                      | 4.0%                         | 1.9%             | 1.9%             | 1.1%             | 2.1%             | 4.0%             | 2.1%             | 2.8%          | 3.0%          |
| Per ANB Decrements                  |                              |                  |                  |                  |                  |                  |                  |               |               |
| Elementary                          | \$0.20                       | \$0.20           | \$0.20           | \$0.20           | \$0.20           | \$0.20           | \$0.20           | \$0.20        | \$0.20        |
| High School                         | \$0.50                       | \$0.50           | \$0.50           | \$0.50           | \$0.50           | \$0.50           | \$0.50           | \$0.50        | \$0.50        |
| Per ANB Decrement Stop Loss         |                              |                  |                  |                  |                  |                  |                  |               |               |
| Elementary                          | 1,000                        | 1,000            | 1,000            | 1,000            | 1,000            | 1,000            | 1,000            | 1,000         | 1,000         |
| High School                         | 800                          | 800              | 800              | 800              | 800              | 800              | 800              | 800           | 800           |
| GTB Guarantee Ratio                 | 175%                         | 175%             | 175%             | 175%             | 175%             | 175%             | 175%             | 175%          | 175%          |
| Base Budget Components              |                              |                  |                  |                  |                  |                  |                  |               |               |
| Direct State Aid                    | 44.7%                        | 44.7%            | 44.7%            | 44.7%            | 44.7%            | 44.7%            | 44.7%            | 44.7%         | 44.7%         |
| Guaranteed tax base aid             | 35.3%                        | 35.3%            | 35.3%            | 35.3%            | 35.3%            | 35.3%            | 35.3%            | 35.3%         | 35.3%         |
| Special Ed                          | \$33,468,882                 | \$33,899,850     | \$34,916,846     | \$34,912,640     | \$36,448,452     | \$38,506,122     | \$39,348,289     | \$40,434,302  | \$41,635,201  |

Bill and session year: HB121, 2001; SB424, 2003; HB 63, 2005

**DP 24 - Pupil Transportation Appropriation** - In the 2005 Special Session, SB 1 amended 20-10-142, MCA, to raise the individual pupil transportation contract mileage rate from \$0.25 to \$0.35 effective in FY 2007. This cost is not in the base. The amount requested is \$430,000, which matches the appropriation that was approved for FY 2007.

**DP 25 - School Block Grants - HB 124** - Present law (20-9-630 and 632, MCA) provides for an annual 0.76 percent increase in the county transportation and school district block grants. This is a biennial appropriation increase of \$766,141 in FY 2008 and \$1,153,584 in FY 2009.

**LFD  
COMMENT**

These monies were first distributed to districts in FY 2002 as directed by HB 124 in the 2001 session. They are distributed based on two factors: 1) as replacement money for the vehicle revenue that HB124 took away from school districts and deposited in the state general fund, and 2) as replacement property tax reimbursements that were instituted in the bills which cut property taxes in the 1999 session. Approximately one-half of the total block grants were due to property tax cut reimbursements. The property tax reimbursements are highly dis-equalizing because they are distributed according to where the property was located at the time of the tax cuts, not where children are located today.

**DP 26 - State Tuition Payments** - This request funds OPI's statutory obligation for tuition payments under 20-5-324, MCA, for students placed in a school district outside their district of residence by a state agency or court. The 2005 Legislature passed HB 83, which moved the responsibility for paying the state's tuition obligation from the county superintendents to OPI starting in FY 2007. This request continues the appropriation at the 2007 level of \$336,000 per year.

**LFD  
COMMENT**

Tuition used to be deducted from the 55 statewide mills in the county in which the student resided and transferred to the district in which the student went to school. HB 83 in the 2005 special session changed this so that the deduction from the 55 statewide mills no longer takes place. Instead OPI pays the tuition directly to the school district where the student goes to school.

DP 27 - School District Audit Filing Fee Increase - This increase in general fund authority for school district audit filing fees of \$29,300 in FY 2008 and \$34,600 in FY 2009 will allow OPI to pay school district audit filing fees. Payment of this fee from the OPI to the Department of Administration is required by 2-7-514(2), MCA. This increase assumes school district revenues will increase 3.0 percent each year. This is a biennial appropriation.

DP 28 - Special Education Increase to FY 2007 Level - Maintenance of fiscal effort requirements under federal law specifies that a state may not decrease its support of special education programs from one year to the next. The state special education general fund base in FY 2006 was \$38,488,071. The state special education general fund appropriation in FY 2007 is \$39,348,289. This represents an increase over base of \$860,218 in both FY 2008 and FY 2009.

**LFD  
COMMENT**

The increase in special education to FY 2007 levels for FY 2008 and FY 2009 will also result in an increase in guaranteed tax base aid. This is because the GTB area is expanded by 140 percent of the special education aid. 100 percent of that increase is paid for by the special education dollars, but the additional 40 percent of the increase is funded by a combination of local taxes and state GTB aid.

DP 29 - Biennial Appropriations - This present law adjustment establishes biennial appropriations in each year at half of the amount appropriated for the 2007 biennium. The biennial appropriations include:

- Instate treatment - \$1,949,792 - adjusted \$116,857 each year
- Secondary Vo-ed - \$2,000,000 - no adjustment needed
- Adult Basic Ed - \$550,000 - adjusted \$3 each year
- Gifted and Talented - \$500,000 - adjusted \$14,179 each year
- School Foods - \$1,297,306 - no adjustment needed

DP 32 - Federal Grant Award Adjustment - This is an adjustment in federal spending authority for grant awards currently administered by the Office of Public Instruction. The adjustments in federal grant awards are due to normal increases in federal funding. These funds are distributed to school districts and other local education agencies. This is a biennial appropriation.

**LFD  
COMMENT**

The following table lists the areas in which increases in federal money are expected in the 2009 biennium.

| Federal Grant Awards<br>Present Law Adjustments |                      |                     |                     |
|---|----------------------|---------------------|---------------------|
| Programs Increased                              | Base 2006            | Increase / Decrease |                     |
|   |                      | Fiscal 2008         | Fiscal 2009         |
| Federal School Foods Programs                   | \$22,164,929         | \$1,108,247         | \$2,271,905         |
| ESEA - Title I                                  | 41,869,959           | 2,100,210           | 4,100,210           |
| ESEA Title II - Teacher & Principal Training    | 17,309,684           | 582,881             | 1,082,881           |
| ESEA Title IV Drug Free & 21 st Cent Schools    | 6,366,474            | 119,418             | 119,418             |
| IDEA  | 32,361,825           | 2,969,254           | 5,019,254           |
| Reading First                                   | 4,512,465            | 237,534             | 387,534             |
| Total   | <u>\$124,585,336</u> | <u>\$7,117,544</u>  | <u>\$12,981,202</u> |
| Programs Decreased                              |                      |                     |                     |
| Comprehensive School Reform                     | <u>\$796,132</u>     | <u>(\$796,132)</u>  | <u>(\$796,132)</u>  |

DP 36 - Replace Guarantee Account -Interest & Income - The executive adds general fund due to an anticipated reduction in guarantee fund revenues in order to fully fund school district BASE aid. The amount added to general fund BASE aid authority is \$18.3 million in FY 2008 and \$18.5 million in FY 2009.

**LFD  
ISSUE**

#### Governor Would Over Appropriate General Fund

The Revenue and Transportation Interim Committee met November 15, 2006 and determined the revenue estimates for interest and income from school lands. A portion of this revenue is deposited in the guarantee account and is available for payment of BASE aid. The RTIC estimated that \$67,574,331 in FY 2008 and \$74,068,110 in FY 2009 would be available to pay BASE aid. The base amount in FY 2006 was \$66,684,383. Thus, the adjustment for this decision package, using the RTIC numbers, should be an addition of \$889,948 in FY 2008 and \$7,383,727 in FY 2009.

It appears the executive has estimates for present law I&I available for BASE aid close to those chosen by the RTIC, but in developing this decision package assumed the passage of a bill to redirect the I&I money into a school facility account. Thus, the adjustments that were made by the executive are not present law adjustments.

DP 37 - 2005 Special Session Funding - The December 2005 Special Session included four new components for K-12 schools distribution. The per educator, at risk, achievement gap, and Indian education components are not included in the FY 2006 base. The biennial cost of this package is \$71.82 million, \$35.93 million in FY 2008 and \$35.89 million in FY 2009.

**LFD  
ISSUE**

#### Executive Does Not Include Inflation

The executive recognizes the ongoing nature of the additional funding components instituted in the December 2005 Special Session. However unlike other elements of BASE aid, no adjustment for inflation has been recommended for these components. Adding inflation to the 4 new components would add approximately \$3.2 million during the biennium.

DP 38 - Indian Education For All-Biennial - The Governor proposes to reduce the "Ready to Go" grants to school districts from the FY 2007 biennium and replace them as Indian education programs in the state activities programs.

**LFD  
COMMENT**

In the 2005 regular session, the legislature appropriated \$1.1 million dollars (biennial) in “ready-to-go” grants for distribution to school districts with exemplary programs in Indian Education for All to demonstrate these programs to other districts. Only \$239,953 was spent in FY 2006, with the remainder being spent in FY2007. However, the special session created a permanent Indian Education for All component (DP 37) to replace this program and therefore this money will not go forward in the next biennium.

**New Proposals**

| New Proposals                                   |             |                     |               |                 |                     |             |                     |               |                 |                     |
|---|-------------|---------------------|---------------|-----------------|---------------------|-------------|---------------------|---------------|-----------------|---------------------|
| Program   | FTE         | Fiscal 2008         |               |                 |                     | FTE         | Fiscal 2009         |               |                 |                     |
|   |             | General Fund        | State Special | Federal Special | Total Funds         |             | General Fund        | State Special | Federal Special | Total Funds         |
| DP 1 - Full-Time Kindergarten                   |             |                     |               |                 |                     |             |                     |               |                 |                     |
| 09  | 0.00        | 11,720,000          | 0             | 0               | 11,720,000          | 0.00        | 13,448,700          | 0             | 0               | 13,448,700          |
| DP 2 - District Retirement Fund                 |             |                     |               |                 |                     |             |                     |               |                 |                     |
| 09  | 0.00        | 3,172,623           | 0             | 0               | 3,172,623           | 0.00        | 3,266,850           | 0             | 0               | 3,266,850           |
| DP 7 - Special Education                        |             |                     |               |                 |                     |             |                     |               |                 |                     |
| 09  | 0.00        | 1,232,153           | 0             | 0               | 1,232,153           | 0.00        | 2,601,706           | 0             | 0               | 2,601,706           |
| DP 13 - Adult Basic and Literacy Education      |             |                     |               |                 |                     |             |                     |               |                 |                     |
| 09  | 0.00        | 250,000             | 0             | 0               | 250,000             | 0.00        | 250,000             | 0             | 0               | 250,000             |
| DP 23 - School Facilities Reimbursement         |             |                     |               |                 |                     |             |                     |               |                 |                     |
| 09  | 0.00        | 1,097,744           | 0             | 0               | 1,097,744           | 0.00        | 1,097,744           | 0             | 0               | 1,097,744           |
| DP 39 - Increase Quality Per Educator Component |             |                     |               |                 |                     |             |                     |               |                 |                     |
| 09  | 0.00        | 9,780,918           | 0             | 0               | 9,780,918           | 0.00        | 10,021,405          | 0             | 0               | 10,021,405          |
| <b>Total</b>                                    | <b>0.00</b> | <b>\$27,253,438</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$27,253,438</b> | <b>0.00</b> | <b>\$30,686,405</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$30,686,405</b> |

**DP 1 - Full-Time Kindergarten** - The executive recommends an increase in K-12 BASE aid for students enrolled in full-time kindergarten. This request is for \$25.2 million in the 2009 biennium to provide full-time ANB funding for students enrolled in a full-time public school kindergarten programs. This proposal does not require schools to offer a full-time kindergarten program, but provides full-time funding for those districts that choose to provide it. Nationwide, 63 percent of kindergarteners attend full-time kindergarten programs. This proposal is included in the Governor's school funding bill.

The estimate of \$11.7 million per year in FY 2008 and \$13.5 million in FY 2009 is based on an estimated participation rate of 80 percent in FY 2008 and 90 percent in FY 2009 of the state's 10,300 kindergarten students. These participation rates are the executive's best estimate given that not all schools have the facilities or staff to offer full-time kindergarten and not all parents would choose to enroll their students in a full-time program.

The executive estimates that approximately 425 FTE are assigned to teaching kindergarten classes. If the number of FTE with kindergarten assignments increases by 340 FTE in FY 2008 and by 383 in FY 2009 as a result of shifting to full-time programs, the cost of the quality educator payment will increase by \$680,000 in FY 2008 and by \$765,000 in FY 2009.

*The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.*

Justification: Nationwide, 63 percent of 5 years olds attend full-time kindergarten. Studies have shown sustained academic, social, and financial benefits of students who attend full-time kindergarten. Students enrolled in full-time kindergarten show greater progress in literacy, math and general learning skills than their counterparts who attend half-time programs. They have higher scores on achievement tests, and they show significant gains in social and emotional development and reduced behavioral problems. Over a lifetime they have elevated adult literacy rates, higher monthly earnings at age 27, increased percentages of home ownership, and higher levels of schooling completed. The financial benefits are also well documented. Many schools are able to reduce pupil transportation costs when they eliminate extra



bus routes for half-day kindergarten students. Full-time kindergarten lowers the number of high-cost students by way of fewer grade retentions and special education placements. There is also long term savings in reduced number of social services and correctional system needs.

Goals: It is the mission of the Office of Public Instruction to improve teaching and learning through communication, collaboration, advocacy, and accountability to those we serve.

The five agency-wide goals of the Office of Public Instruction are:

- Goal 1: Support schools so that all students can achieve high standards
- Goal 2: Assess and communicate the quality and achievements of K-12 education
- Goal 3: Provide access to and management of information and data related to K-12 school improvement
- Goal 4: Deliver quality instruction through professional development
- Goal 5: Support accountability and improvement in all Montana schools

This proposal supports one of the five agency-wide goals of the Office of Public Instruction.

- Goal 1: Support schools so that all students can achieve high standards

Currently, Montana has a significant achievement gap between our low-income and higher income students. In addition, our dropout rate for American Indian students is three times that of white students. Closing this achievement gap and lowering the dropout rate are top priorities of the Office of Public Instruction. Full-time kindergarten is a proven way to address these problems and get kids achieving at the level of their peers early in their education. This will also impact our at-risk students by increasing their academic performance and reducing the need for retentions. If a child isn't reading at grade level by the 3<sup>rd</sup> grade it is very difficult and expensive to catch them up in later grades. Expanding the existing half-time programs to full-time kindergarten will play an important role in closing the achievement gap and lowering the dropout rate in this state.

Performance Criteria: The long term impact of full-time kindergarten will take years to appear in statistics. However, we can expect shorter term gains in achievement and test scores to appear within four years, by the time the first cohort of full-time kindergarten students reach the end of third grade.

If funded, full-time kindergarten will begin in a majority of Montana schools beginning in the 2007-2008 school year. Third grade is the first time students in Montana take the Criterion-Referenced Test (CRT). As mentioned previously, third grade is also the grade in which studies show that if a student is not reading at grade level than it is nearly impossible and very expensive for them to catch up in later grades. Therefore, OPI believes that the third grade is an appropriate year to measure the impact on performance of the full-time kindergarten program.

The 2005-2006 CRT Reading test shows that the percentage of Montana third grade students who are proficient or advanced in reading is 81 percent. PERFORMANCE TARGET: By the 2010 – 2011 school year, the percentage of third grade students scoring proficient or advanced will improve by five percentage points and raise Montana's overall performance to 86 percent of third grade students performing at proficient or advanced.

Milestones: Beginning in the 2007-2008 school year, schools that choose to provide full-time kindergarten will be provided full-funding ANB for each student who enrolls in a full-time kindergarten program.

FTE: No new state FTE will be required for the implementation of full-time kindergarten. Since this is an expansion of an existing program, OPI's School Finance Division will have the responsibility of implementation by adjusting the rate of funding for those schools that choose to participate.

Initially there will be increased work load for the first year of implementation for two financial specialists and a programmer.

Funding: The Montana Constitution states that "the legislature shall provide a basic system of free quality public

elementary and secondary schools". It is the state's obligation to fund its share of Montana's education system, and the OPI is requesting funding from the state's general fund to implement full-time kindergarten.

Obstacles: Some school districts may not be able to take advantage of this expanded program because of staff, budget, or facility limitations. Currently, schools may be running two half time programs using the same educator and the same room. Adding full-time kindergarten may require additional FTE and classroom space; these financial obstacles may be more than the new funding would cover. In addition, there may not be a qualified FTE to fill the position. Those schools that cannot provide full-time kindergarten would be not be able to reap the academic benefits of this proven program.

Risk: Without full-time kindergarten we are not addressing the immediate needs of Montana's children to get them the jumpstart they need on their education. Montana's disadvantaged students enter kindergarten already behind their classmates. Without leveling the playing field with full-time kindergarten, we are neglecting our constitutional duty to "develop the full educational potential of each person" and guarantee "equality of educational opportunity...to each person of the state."

#### LFD COMMENT

The executive proposes just one performance criteria that it proposes to measure to determine the benefits of this proposal – i.e. measuring the scores of children in full-time kindergarten after they have completed tests in the 3<sup>rd</sup> grade. The legislature may want to require more criteria be measured such as the rate of grade retentions and special education placements, and the reduction in transportation costs.

#### LFD ISSUE

##### Per Educator Component Not Adjusted/May Lower BASE Aid for Some Districts

Issue 1: The discussion above points out that the addition of new teachers to teach full-time kindergarten will result in an increase in the state's contribution to the quality educator component of BASE aid, in the amount of \$680,000 in FY 2008 and \$765,000 in FY 2009. However, the executive does not recommend an increase in appropriation authority for the per educator component.

Issue 2: For school districts with a middle school, counting kindergarten children as full time will lower the basic entitlement. Under current law, the basic entitlement for a K-8 district is calculated as follows: The number of K-6 ANB is multiplied by the elementary basic entitlement and the number of 7 and 8 grade ANB is multiplied by the high school basic entitlement. The sum is then divided by the total number of ANB in the K-8 district. With a doubling of kindergarten ANB, the weight on the elementary basic entitlement will increase, and the resulting K-8 calculated basic entitlement will fall. The executive has recognized this result, and has proposed a new middle school basic entitlement in DP 39.

#### LFD ISSUE

##### Full-time Kindergarten Will Have Property Tax Impact

Counting kindergarten children as full time students will increase state spending in terms of direct state aid and guaranteed tax base aid. However not all of the costs will be paid for by the state. Local district general fund BASE levies will increase around \$3.5 million during the biennium as a result of the proposal.

#### LFD COMMENT

There are 76 schools in 53 districts teaching 2,446 kindergarten students full-time in FY 2007. This is nearly a quarter of the number of kindergarten students in the state. It is not known how many districts will be constrained from offering full-time kindergarten due to insufficient space or proper facilities. OPI is conducting a survey in December 2006 to elicit this information, which will be ready for the 2007 legislative session.

**DP 2 - District Retirement Fund -** The executive requests \$6.439 million for the 2009 biennium to allow school districts to access the district retirement fund for retirement benefits associated with school employee salaries paid with federal funds. The 2003 Legislature changed the method for charging district retirement fund expenses by limiting charges to

only those school employees who are paid from state or local funding sources, federal impact aid, or the district school food services fund.

**LFD  
ISSUE**
**Local Property Tax Impact**

This proposal will allow more federal money to be used for direct services for children, rather than paying for retirement costs (social security, teachers retirement, Medicare, and unemployment insurance). However, in addition to an increase in state costs, there will be local property tax costs as well. Statewide this could amount to an increase between \$8 million and \$9 million in county property taxes. Since the state's costs are guaranteed tax base payments paid to the county retirement systems and are inversely related to the property tax wealth of the county, some counties may bear the entire cost increase through property taxes without any state aid.

The state could mitigate some or all of the local tax increase by increasing the GTB ratio, the state subsidy rate, or by altering the way the state funds the county retirement accounts.

DP 7 - Special Education - This request is for \$3.834 million for the 2009 biennium to provide an inflationary increase in the state appropriation for special education based on the same inflationary adjustment included for basic and per ANB entitlements in DP 3, section 20-9-326, MCA. The inflator for FY 2008 (calculated using CPI-Urban indexes for July 2002 and July 2005) is 2.76 percent. The inflator for FY 2009 (calculated using CPI-Urban indexes for July 2003 and July 2006) is 2.97 percent. ANB (number of students) are anticipated to decline 0.6 percent in FY 2008 and 0.7 percent in FY 2009.

The additional cost for district and county guaranteed tax base (GTB) aid is included in the executive's request. This proposal would increase the state special education appropriation to \$40.434 million in FY2008 and \$41.647 million in FY2009. The estimates of increased GTB costs associated with the state special education appropriation are \$143,000 in FY2008 and \$381,000 in FY 2009.

**LFD  
COMMENT**
**Inflation for Special Education for FY 2009 Not Actual Inflation.**

The inflation factor used in the executive's proposal for FY 2009 is below the actual inflation. Actual 3 year average inflation for FY 2009 for entitlement purposes was 3.0 percent, because the law allows an adjustment of no more than that. Actual 3 year inflation for FY 2009 without the 3 percent cap was 3.43 percent. Allowing a 3.43 percent adjustment to the special education appropriation would add \$186,000 to the FY 2009 special education appropriation.

DP 13 - Adult Basic and Literacy Education - This proposal would increase the current adult basic and literacy education (ABLE) appropriation of \$275,000 per year in state general fund to \$525,000 per year. Increasing the appropriation would allow 1) more funding to serve students in up to three additional sites located in underserved or un-served areas of the state; 2) additional resources to currently funded programs to increase the number of students served; and 3) to meet mandatory requirements. Additional funds would also provide local programs much needed resources to meet the demands of serving an increasing number of out of school youth.

DP 23 - School Facilities Reimbursement - To promote safe school facilities and as a measure of taxpayer fairness, Montana has established a statutory formula for providing state payments to low property tax wealth school districts to assist with debt service payments on school bonds. The state school facility reimbursement expenditure in the base year was \$9,411,293 general fund. The Governor would increase the appropriation by \$1,097,744 each year of the 2009 biennium. This would be a restricted biennial appropriation.

**LFD  
ISSUE****Amount Dependant Upon Elections**

The calculations for future debt service reimbursements depend on possible passage of bond elections in nearly 30 districts. A large player in the current estimate of debt service reimbursement is Billings Public School, which is assumed will pass a debt service bond election. However, at the current time Billings has not announced that it will sell building bonds and has not started the process with a bond broker. However, Billings has a large amount of debt that is maturing in the near future, which would indicate that it will be in a position to take on debt.

DP 39 - Increase Quality Per Educator Component - The per quality educator component was created by the legislature in the December 2005 Special Session to ensure the State of Montana is providing resources for all of the components of a basic system of quality education as defined in 20-9-309, MCA. The proposed budgeted per educator increase is \$790, raising the total to \$2,790 per quality educator for both years.

**LFD  
ISSUE****Middle School Entitlement Above Included Impacts**

Decision Package 39 contains two proposals: 1) increase the quality educator component from \$2,000 per educator to \$2,790 per educator; and 2) create a new middle school basic entitlement of \$55,500 and disallow pro-ration for K-8 districts. The new basic entitlement would reduce state costs by \$115,000 in the 2009 biennium, as it was designed to be cost neutral. These proposals should be segregated, as the purpose of the new basic entitlement was to offset the impact of full-time kindergarten in reducing the basic entitlement for K-8 districts. (See DP 01) The creation of new basic entitlement for middle schools would have different effects in each district. Districts with relatively high proportions of 7<sup>th</sup> and 8<sup>th</sup> grade students would lose budget authority compared with current law. Districts with relatively low proportions of 7<sup>th</sup> and 8<sup>th</sup> grade students would gain budget authority with current law. In addition, taxpayers would also be differentially impacted in districts with low and high proportions of 7<sup>th</sup> and 8<sup>th</sup> grade students.

The kindergarten proposal (DP01) would result in an increase in the cost of the per-educator component. An increase in the per educator component will make the impact of the kindergarten proposal on the per educator component even higher. The executive has not recommended additional appropriation authority in the per educator component for this eventuality.

**Language**

“All revenue received in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated as provided in Title 20, chapter 7, part 5. This appropriation may not exceed \$1 million a year.”

“The office of public instruction may distribute funds from the appropriation for Instate Treatment to public school districts for the purpose of providing for educational costs of children with significant behavioral or physical needs.”